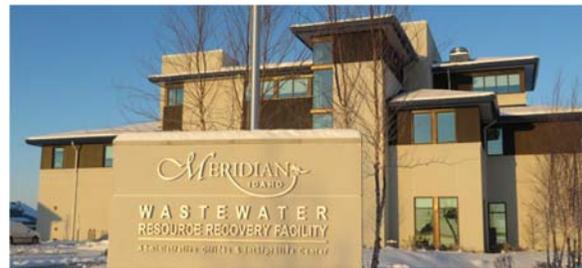




Financial Statements  
September 30, 2015  
City of Meridian, Idaho



The City of Meridian is located in the center of the Treasure Valley in southwest Idaho. Founded in 1893, and incorporated as a city in 1903, Meridian is now one of Idaho's largest and fastest growing communities. Meridian is cited by *Money Magazine* as one of its Top 50 Best Places to Live, and by America's Promise Alliance and ING as one of the Nation's 100 Best Communities for Young People. For more information, visit [www.meridiancity.org](http://www.meridiancity.org).

|   |    |
|---|----|
| Independent Auditor’s Report.....   | 1  |
| Management’s Discussion and Analysis .....  | 4  |
| Financial Statements  |    |
| Basic Financial Statements  |    |
| Government-wide Financial Statements  |    |
| Statement of Net Position .....   | 20 |
| Statement of Activities.....  | 22 |
| Fund Financial Statements   |    |
| Balance Sheet – Governmental Funds .....  | 23 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....  | 24 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....  | 25 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....  | 26 |
| Statement of Net Position – Proprietary Fund .....  | 27 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....  | 29 |
| Statement of Cash Flows – Proprietary Fund .....  | 30 |
| Notes to Financial Statements.....  | 31 |
| Required Supplementary Information  |    |
| Schedule of Employer’s Share of Net Pension Liability and Employer Contributions .....  | 56 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....   | 57 |
| Notes to Required Supplementary Information .....   | 59 |
| Other Information   |    |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund .....  | 60 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Enterprise Fund ...  | 61 |
| Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 62 |



## Independent Auditor's Report

Mayor and Members of the City Council  
City of Meridian, Idaho  
Meridian, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho, (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As described in Note 1 and 14 to the financial statements, the City has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which resulted in a restatement of the net position as of October 1, 2014. Our opinions are not modified with respect to this matter.

As described in Note 1 and 14 to the financial statements, the City adopted to provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which resulted in a restatement of the net position as of September 30, 2014. Our opinions are not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, and Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Capital Projects Fund and Enterprise Fund, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
February 24, 2016

This section of the City of Meridian's (City's) annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2015. Please use this information in conjunction with the information furnished in the City's financial statements.

### **Financial Highlights**

- The total assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2015 by \$385,948,649. Of this amount \$50,568,946 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2015 the City's total net position increased \$26,222,791 as compared to an increase of \$16,067,832 during fiscal year 2014, prior to the restatements. Net position of the governmental activities increased \$6,249,358 and net position of business-type activities increased \$19,973,433.
- The City was required to make prior-period adjustments to record two events. A series of entries are the result of implementation of Governmental Accounting Standards Board Standards 68 and 71, which concern accounting and reporting for pensions as participating employers and the adjustment of such when on a different plan year than the pension plan. This reduced the prior period Governmental Activities net position by \$10,125,381, and the Business –type Activities net position by \$2,531,345. The Business-type Activities increased their net position by \$3,045,443 due to acquiring assets in a combination with a small water and sewer district.
- Total fund balance of governmental funds at September 30, 2015 was \$39,209,736 compared to a total governmental fund balance at September 30, 2014 of \$36,451,692.

Of the September 30, 2015 balance;

- \$9,821,811 is restricted for park, police and fire impact fee capital expenditures (of which \$939,047 is assigned for budget re-appropriation)
- \$4,824 is restricted for grant expenditures
- \$811,936 is non-spendable
- \$2,986,161 is assigned for FY2016 budget re-appropriation
- \$6,058,359 is restricted for capital projects (of which \$428,731 is restricted for FY2016 budget re-appropriation)
- \$105,217 is assigned for public safety capital projects.
- \$19,421,428 is unassigned and available to meet the entities on-going obligations.

### **Condensed Financial Statements**

The following tables on pages 7 through 8 presented for the year ended September 30, 2014, has not been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### **Overview of the Financial Statements**

This annual report consists of five parts – *management discussion and analysis, the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.*

## **Government - Wide Financial Statements**

These statements report information about all of the operations of the City using accounting methods similar to those used by private sector companies. These statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The government-wide financial statements are divided into two categories:

**Statement of Net Position** – Reports all of the City's assets and deferred outflows of resources less the liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Statement of Activities** – Reports all of the City's revenues and expenses for the year by function. Examples of functions are public safety, administration, and water and sewer activities. Revenues, such as property tax which cannot be traced to a specific function, are reported as General Revenues.

## **Fund Financial Statements**

The Fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses a method of accounting, called fund accounting, to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council.

The City has the following funds:

**Governmental Funds**: These funds encompass the City's basic services, public safety, community planning and development, administration, and parks and recreation. Governmental fund financial statements focus on short-term inflows and outflows of spendable resources, an accounting approach known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

The City has two governmental funds:

**General Fund** – The general fund is the general operating fund of the City. It derives most of its income from property tax and funds the operations of the City. It includes the Development Services Fund, used to account for revenue and expenses of the community planning and development function, and the Public Safety Fund used to set aside funds for police and fire capital projects. It also includes the Impact Fee Fund used to account for park and public safety impact fee revenue and capital acquisitions.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities.

**Proprietary Fund**: User fees finance activities in these funds. The City of Meridian only has one type of propriety fund, the enterprise fund. The water and sewer utilities and all the activities necessary to support their operation are accounted for in this fund. Accounting for this fund is the same as a private business on a full accrual basis.

## Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

## Required Supplementary Information

This section has information that further explains and supports the information in the financial statements by including a comparison of the City's budget data for the year, as well as the City's schedule of employer's share of net pension liability and the City's schedule of employer contributions.

## FINANCIAL ANALYSIS OF THE CITY OF MERIDIAN AS A WHOLE

### Net Position

Net position measures the difference between what the City owns (assets) and what the City owes (liabilities). At September 30, 2015 the City's combined assets and deferred outflows exceeded liabilities and deferred inflows by \$385,948,649. On the originally issued September 30, 2014 statements the City's combined net assets exceeded liabilities by \$369,337,141. As the result of the net impact of two prior period adjustments the restated FY2014 balance is now \$359,725,858 as opposed to the previously reported balance of \$ 369,337,141. One prior period adjustment required due to the implementation of Governmental Accounting Standards Board Standards Nos. 68 and 71, reduced total net position by \$12,656,726. The second prior period adjustment, acquisition of a water district by the proprietary fund, increased net position by \$3,045,443. At September 30, 2013 the City's combined net position exceeded liabilities by \$353,269,309.

Assets restricted to a particular use are 4% of net position. The City's restricted assets are composed of; \$9,821,811 in park, police, and fire impact fee funds, (portion of building permits collected for the construction of infrastructure to retain existing service levels), \$6,058,359 is in the Capital Improvement Fund, and \$4,824 is in a grant fund.

The City's unrestricted net position equals 13%, or \$50,658,943 of total net position; this is a 4% decrease from FY2014 to FY2015. The City's net position increased 5% or \$16,067,832 from FY2013 to FY2014.

The largest portion of the City's net assets, 83%, is invested in capital assets net of related debt. Capital assets include land, building, equipment and machinery, and sewer and water utility infrastructure. *This percentage distribution has remained virtually unchanged for the last six years.*

The table below has been condensed from the Statement of Net Position:

|   | Primary Government |                |                 |                |                |                |
|---|--------------------|----------------|-----------------|----------------|----------------|----------------|
|   | Governmental       |                | Business - type |                | Total          |                |
|   | Activities         |                | Activities      |                |                |                |
|   | 2015               | 2014           | 2015            | 2014           | 2015           | 2014           |
| Current and Other Assets                                      | \$ 68,797,086      | \$ 64,715,849  | \$ 47,571,757   | \$ 45,129,622  | \$ 116,368,843 | \$ 109,845,471 |
| Capital Assets  | 89,026,734         | 86,171,152     | 230,377,979     | 208,870,841    | 319,404,713    | 295,041,993    |
| Deferred Outflows of Resources                                | 4,573,254          | -              | 1,143,314       | -              | 5,716,568      | -              |
| TOTAL Assets and Deferred Outflows of Resources               | 162,397,074        | 150,887,001    | 279,093,050     | 254,000,463    | 441,490,124    | 404,887,464    |
| Current Liabilities   | 3,220,725          | 4,270,415      | 6,583,564       | 5,589,769      | 9,804,289      | 9,860,184      |
| Long-term Liabilities   | 10,089,470         | 1,241,567      | 2,618,055       | 418,330        | 12,707,525     | 1,659,897      |
| Deferred Inflows of Resources                                 | 31,618,125         | 24,030,242     | 1,411,536       | -              | 33,029,661     | 24,030,242     |
| TOTAL Liabilities and Deferred Inflows of Resources           | 44,928,320         | 29,542,224     | 10,613,155      | 6,008,099      | 55,541,475     | 35,550,323     |
| <b>Net Position:</b>  |                    |                |                 |                |                |                |
| Invested in Capital Assets                                    |                    |                |                 |                |                |                |
| Net of Related Debt   | 89,026,731         | 88,032,565     | 230,377,979     | 208,870,841    | 319,404,710    | 296,903,406    |
| Restricted  | 15,884,993         | 12,873,912     | -               | -              | 15,884,993     | 12,873,912     |
| Unrestricted  | 12,557,030         | 20,438,300     | 38,101,916      | 39,121,523     | 50,658,946     | 59,559,823     |
| <i>Prior period adjustment - Implementation of GASB 68/71</i> | -                  | (10,125,381)   | -               | (2,531,345)    | -              | (12,656,726)   |
| <i>Prior period adjustment - District combination</i>         | -                  | -              | -               | 3,045,443      | -              | 3,045,443      |
| TOTAL Net Position  | \$ 117,468,754     | \$ 111,219,396 | \$ 268,479,895  | \$ 248,506,462 | \$ 385,948,649 | \$ 359,725,858 |



### Changes in Net Position

During the year the City's financial position improved by \$26,222,791. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the City's net position changed during the year.

| Changes in Net Position<br>for Fiscal Year Ending September 30, 2015 |                            |                       |                             |                       |                             |                       |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
|  | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total Primary<br>Government |                       |
|  | FY2015                     | FY2014                | FY2015                      | FY2014                | FY2015                      | FY2014                |
| <b>Revenues</b>  |                            |                       |                             |                       |                             |                       |
| <b>Program Revenues</b>  |                            |                       |                             |                       |                             |                       |
| Charges for services   | \$ 7,876,717               | \$ 7,573,537          | \$ 23,376,694               | \$ 22,030,346         | 31253411                    | \$ 29,603,883         |
| Operating grants and contributions                                   | 555,822                    | 515,681               | 8,871,580                   | 6,242,864             | 9427402                     | 6,758,545             |
| Capital Grants and Contributions                                     | 3,064,533                  | 2,849,539             | 11,149,103                  | 4,591,101             | 14213636                    | 7,440,640             |
| <b>General Revenue</b>   |                            |                       |                             |                       |                             |                       |
| Property taxes   | 24,729,318                 | 22,474,207            | -                           | -                     | 24729318                    | 22,474,207            |
| Franchise fees   | 1,455,287                  | 1,566,048             | -                           | -                     | 1455287                     | 1,566,048             |
| Sales tax and other governmental                                     | 5,501,620                  | 4,826,397             | -                           | -                     | 5501620                     | 4,826,397             |
| Investment Earnings  | 243,741                    | 176,992               | 422,777                     | 357,245               | 666518                      | 534,237               |
| Other Revenue  | 142,318                    | 184,686               | 232,271                     | 31,737                | 374589                      | 216,423               |
| <b>Total Revenues</b>  | <b>43,569,356</b>          | <b>40,167,087</b>     | <b>44,052,425</b>           | <b>33,253,293</b>     | <b>87,621,781</b>           | <b>73,420,380</b>     |
| <b>Expenses</b>  |                            |                       |                             |                       |                             |                       |
| <b>General Government</b>  |                            |                       |                             |                       |                             |                       |
| Administration   | 7,323,111                  | 6,733,322             | -                           | -                     | 7,323,111                   | 6,733,322             |
| Law Enforcement  | 13,871,847                 | 12,539,007            | -                           | -                     | 13,871,847                  | 12,539,007            |
| Fire Department  | 9,646,791                  | 9,399,328             | -                           | -                     | 9,646,791                   | 9,399,328             |
| Parks and Recreation   | 5,266,386                  | 5,399,182             | -                           | -                     | 5,266,386                   | 5,399,182             |
| Community Planning and Devlp   | 3,214,876                  | 3,210,634             | -                           | -                     | 3,214,876                   | 3,210,634             |
| Interest on long-term debt   | -                          | -                     | -                           | -                     | -                           | -                     |
| Enterprise - sewer and water   | -                          | -                     | 22,075,979                  | 20,071,075            | 22,075,979                  | 20,071,075            |
| <b>Total Expenses</b>  | <b>39,323,011</b>          | <b>37,281,473</b>     | <b>22,075,979</b>           | <b>20,071,075</b>     | <b>61,398,990</b>           | <b>57,352,548</b>     |
| Excess (deficiency) of revenues over expenditures before transfers   | 4,246,345                  | 2,885,614             | 21,976,446                  | 13,182,218            | 26,222,791                  | 16,067,832            |
| Transfers - internal activities                                      | 2,003,013                  | 2,393,712             | (2,003,013)                 | (2,393,712)           | -                           | -                     |
| Increase (decrease) in net position                                  | 6,249,358                  | 5,279,326             | 19,973,433                  | 10,788,506            | 26,222,791                  | 16,067,832            |
| Net Position, Beginning of Year, as restated                         | 111,219,396                | 116,065,451           | 248,506,462                 | 237,203,858           | 359,725,858                 | 353,269,309           |
| <i>Prior period adjustment -<br/>Implementation of GASB 68/71</i>    | -                          | (10,125,381)          | -                           | (2,531,345)           | -                           | (12,656,726)          |
| <i>Prior period adjustment -<br/>District combination</i>            | -                          | -                     | -                           | 3,045,443             | -                           | 3,045,443             |
| <b>Net Position, Ending of Year</b>                                  | <b>\$ 117,468,754</b>      | <b>\$ 111,219,396</b> | <b>\$ 268,479,895</b>       | <b>\$ 248,506,462</b> | <b>\$ 385,948,649</b>       | <b>\$ 359,725,858</b> |

The following list details how items are categorized in various revenue categories listed on the Changes in Net Position report;

- Governmental charges for services includes building permits and filing fees, court fines, Rural Fire District, and Parks and Recreation fees.
- Governmental capital grants and contributions includes Parks, Police, and Fire impact fees, grant revenue, and donations.
- Business type charges for services include water and sewer sales, engineering fees, and solid waste pickup administration fees.
- Business type operating grants and contributions include water and sewer connection fees and cash donations for operating expenses.
- Business type capital grants and contributions include developer donated water and sewer lines and donations for capital outlay.

### **Governmental Activities:**

Governmental net position in FY2015 increased \$6,249,358, 6%, from \$111,219,396 to \$117,468,754. This increase is *after* adjusting FY2014 downward by \$10,125,381 due to the implementation of Governmental Standards Board Statements Nos. 68 and 71 concerning accounting and reporting for pensions. Before the restatement the net financial position decreased just \$3,876,023.

Governmental revenue increased \$3.4 million dollars. Property tax revenue, 57% of total governmental, revenue, increased just over \$2.3 million (10%). This was the result of new residential and commercial construction and the allowed statutory 3% increase in development. This result is consistent with last year; property tax was also 57% of the total revenue, increasing \$1.7 million dollars, again a year over year increase of 8%.

The second significant source of governmental revenue in FY2015 was in the category Charges for Services, 18% of the total. A majority (62%) of this category's revenues were development related; commercial and residential building permits, and filing fees. FY2015 marks the third year of strong development growth in Meridian.

Total governmental expenses increased 5%, a little over \$2 million dollars. The function Administration accounted for about \$600,000 of this amount. Administration includes the support departments Human Resources, Information Technology, Legal, and Finance. In the transfers section of the Statement of Activities one half of the expenses for the support departments are transferred to the Enterprise Fund. Administration also includes Mayor and Council, City Clerk, and City Hall. Most of the increase in Administration is in additional personnel costs, and 80% in Information Technology; general wage increases and the addition of 1.5 positions.

The Police Department expenses accounted for \$1.3 million dollars of the total increase in governmental expenses. Personnel expense went up a little over \$800,000, an 8% increase over FY2014. Police added four and a half new positions and increased their entire step compensation plan for sworn officers.

Fire Department expenses were up 3% (\$247,463) from FY2014; 3% of the total increase in governmental expenses. Almost all of the increase was in personnel expense, largely in overtime.

On a net basis the Parks and Recreation Department expenses changed little; the 11% increase in personnel expense was off-set by various decreases in operating expenses.

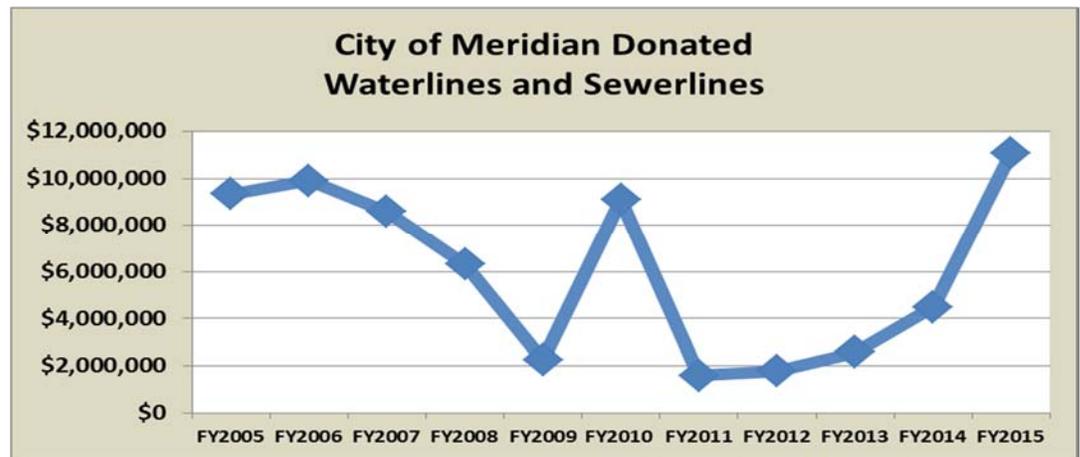
**Business-Type Activities:**

The September 30, 2015 net position for the City's water and sewer utilities is \$268,479,895, 8% more than the net position at September 30, 2014. Of this total 86% is in capital assets net of debt and 14% is in unrestricted fund balance. The prior year net position of \$247,992,364 was adjusted for two prior period adjustments. Subsequent to adjustments for implementing GASB Standards Nos. 69 and 71 on accounting and reporting for pension expense (\$2,531,345), and recording acquisition of a small water and sewer district \$3,045,443. The adjusted FY2014 net position is now \$248,506,462.

The activities of the water and sewer services, revenues minus expenses, increased net position by \$19,973,433 in FY2015. This is in contrast to a \$10.8 million in FY2014 the significant change from FY2015 compared to FY2014 is the

increase in contributed capital; from \$4.6 million in FY2014, to \$11.1 million in FY2015. When developers complete a development they transfer ownership of utility infrastructure within the development to the City. The City

assumes responsibility for maintenance and replacements.



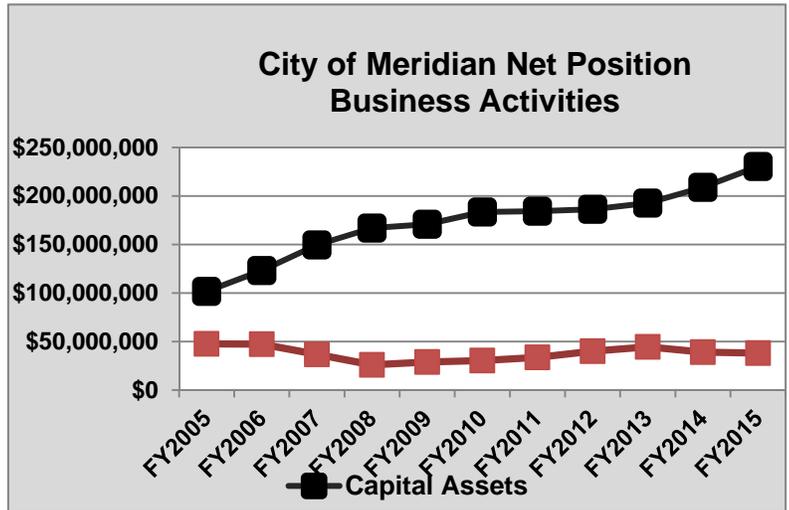
In FY2010 the Governmental Accounting Standards Board implemented a reporting change that distorts the comparative history for contributed capital. GASB standard #51 required recording of intangible assets that could be identified retroactive to 1980. For the City of Meridian this required recording an estimated \$6,291,118 worth of land easements.

Capital assets net of depreciation increased \$21.5 million dollars as compared to \$16.2 million dollars from FY2013 to FY2014. As discussed above \$11.1 million dollars is from contributed capital.

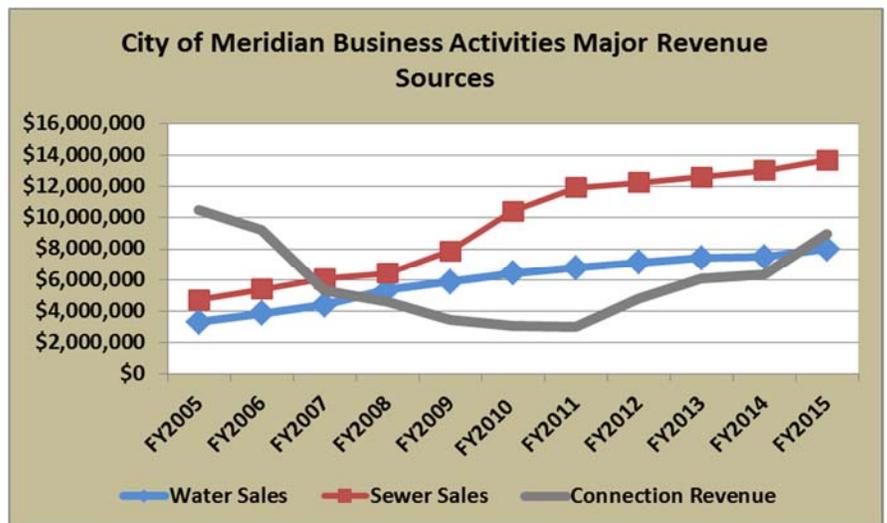
On the capital asset side, the City has consistently completed high dollar infrastructure year after year to keep up with City growth and regulatory requirements last ten years. Large, on-going construction projects include water and sewer lines, water wells and mains, and expansion and technological improvements to the waste water treatment plant.

In FY2015 the Business Fund had a capital budget of \$19,940,099 and spent \$15,127,793. The Fund has several multi-year projects budgeted. The Water Divisions largest budgeted project is construction on various wells; with a FY2015 budget of about \$4.2 million they spent \$2.8 million.

The Waste Water Treatment Department worked on the construction of a new \$1.8 million dollar facility maintenance shop at the treatment plant. During FY2015 they completed \$1.6 million worth of construction on this project. Another large project taking place at the treatment plant is the ultraviolet disinfection system improvement project. In FY2015 the Department had a capital budget of \$2.1 million and spent \$1.4 million dollars on this project.



The Utility has two principal sources of operating revenue; sewer and water usage fees. Usage charges are monthly fees that utility customers pay for the water they use in and on their property and for the use of the sewage system. Usage fees must cover basic fixed costs to keep the system operational, there are also charges based on resources used, that is, how many gallons each customer uses. The last usage rate increase (2%) was enacted at the end of FY2014.



Connection or assessment fees are fees charged when a property is “connected” to the system, the end goal of the fee is to enable the City to keep building infrastructure in order to maintain a consistent service for existing customers as well as new customers. These fees are classed as non-operating revenue. When the City is growing, connection revenue provides resources to expand and improve the system. On the flip side this revenue stream will dry up if there is no new development taking place in the City. At the end of FY2014 the City increased the residential sewer connection fee 25% and added a \$3.75 flat charge to every account. These increases are to fund compliance with the new National Pollutant Discharge Elimination System (NPDES) permit (issued by the Environmental Protection Agency). The new permit, which regulates the amount of pollutants that can be discharged into the Boise River, is expected to require a large capital investment.

The Proprietary Fund is divided into three divisions: Waste Water Treatment, Water, and Public Works. Within Public Works there are several support services; professional engineering support, construction management, inspections, and environmental education. Waste Water Treatment is the largest division in the fund.

The table below compares Proprietary Fund revenue and expenses for the last three fiscal years. Operating revenue was discussed above. Operating expense includes numerous items such as; power, supplies, building and equipment maintenance and repair, fuel, professional services, etc. Non-operating revenues and expenses include interest revenue, connection fees, gain or loss on sale of assets, and change in fair market value of investments. Depreciation is a non-cash expense; it is a method of allocating the useful life of a capital asset over the life of the asset, thereby matching the expense of the asset to the income the asset helps create. Personnel costs increased 14% between FY2015 and FY2014 and operating expenses increased 8%.

| <b>Water and Sewer Proprietary Fund Revenue and Expense Comparison</b> |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | FY2015              | FY2014              | FY2013              |
| <b>Operating Revenue</b>   |                     |                     |                     |
| Water/Sewer Sales  | \$21,679,014        | \$20,486,919        | \$20,034,999        |
| Trash Services Contract Fee  | \$637,168           | \$604,871           | \$572,895           |
| Other Fees   | \$1,085,288         | \$971,033           | \$857,182           |
| <b>Total Revenue</b>   | <b>\$23,401,470</b> | <b>\$22,062,823</b> | <b>\$21,465,076</b> |
| <b>Operating Expense</b>   |                     |                     |                     |
| Personnel Expense  | \$6,912,739         | \$6,049,960         | \$5,531,272         |
| Operating Expense  | \$7,470,652         | \$6,813,265         | \$5,155,277         |
| Depreciation Expense   | \$7,692,588         | \$7,207,850         | \$6,790,722         |
| <b>Total Expense</b>   | <b>\$22,075,979</b> | <b>\$20,071,075</b> | <b>\$17,477,271</b> |
| <b>Operating Income</b>  | <b>\$1,325,491</b>  | <b>\$1,991,748</b>  | <b>\$3,987,805</b>  |
| <b>Non-Operating Revenue (Expense)</b>                                 | <b>\$9,568,343</b>  | <b>\$6,712,724</b>  | <b>\$5,794,199</b>  |
| <b>Income Before Donations/Transfers</b>                               | <b>\$10,893,834</b> | <b>\$8,704,472</b>  | <b>\$9,782,004</b>  |

Personnel costs increased 14% between FY2015 and FY2014, operating expenses increased 9.6%

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

Governmental Funds provide information about near-term inflows, outflows, and balances of resources that are available for spending. At the end of a fiscal year the unreserved fund balance serves as a useful measure of a government's net resources. Types of governmental funds reported by the City include the General Fund, the Capital Projects Fund, the Impact Fee Fund, and the Public Safety Fund.

At the end of the current year, the City's governmental funds had a combined ending fund balance of \$39,209,736 which is an increase of \$2,758,044 over the combined ending fund balance at the end of the prior year.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the fund balances are classified for the year ended September 30, 2015 as follows; of the combined ending fund balance of \$39,209,736, \$811,936 is in prepaid accounts and non-spendable, \$9,826,638 is restricted by law, \$9,149,737 is assigned by intent of the City to specific purposes, and \$19,421,428 is unassigned and available for spending by the City.

The General Fund is the primary operating fund of the City, used for major operations including Fire and Police, Development Services, Parks and Recreation, Elected Officials, and Administration. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$19,421,428. The City does not want the unassigned fund balance to drop below a certain level to leave a safety cushion and protect on-going and necessary personnel and operating expense. The City considers \$10,000,000 to be a safe threshold. So, at the end of September 30, 2015, the City considers \$9,421,428 of the \$19,421,428 unassigned fund balance available to budget new projects.

| <b>GOVERNMENTAL FUND BALANCE:</b>    | <b>FY2015</b>       | <b>FY2014</b>       | <b>Change In Fund Balance</b> |
|--------------------------------------|---------------------|---------------------|-------------------------------|
| <b><i>Nonspendable</i></b>           |                     |                     |                               |
| Prepays                              | \$ 811,936          | \$ 296,455          | \$ 515,481                    |
| <b><i>Restricted</i></b>             |                     |                     |                               |
| Impact Fund                          | 8,882,764           | 6,567,007           | 2,315,757                     |
| Impact Fund Carryforward             | 939,047             | 1,101,204           | (162,157)                     |
| Capital Projects Fund                | 5,629,628           | 3,918,341           | 1,711,287                     |
| Capital Projects Fund Carryforward   | 428,731             | 1,282,536           | (853,805)                     |
| Grant Fund                           | 4,824               | 4,824               | -                             |
| <b><i>Assigned</i></b>               |                     |                     |                               |
| General Fund Budget for Carryforward | 2,986,161           | 6,397,207           | (3,411,046)                   |
| Public Safety Fund                   | 105,217             | 104,414             | 803                           |
| Public Safety Fund Carryforward      | -                   | 1,371,783           | (1,371,783)                   |
| <b><i>Unassigned</i></b>             | <b>19,421,428</b>   | <b>15,407,921</b>   | <b>4,013,507</b>              |
| <b>TOTAL FUND BALANCE</b>            | <b>\$39,209,736</b> | <b>\$36,451,692</b> | <b>\$ 2,758,044</b>           |

The Impact Fee Fund is a restricted fund, and by state statute can only be spent on police, fire and parks capital projects that sustain the level of service existing when the fees were adopted. The City collects impact fees when a building permit is purchased. Park fees are collected only for residential buildings, fire and police fees are collected at the sale of both residential and commercial building permits. The fees are calculated based on levels of service, predicted growth, and the ten year capital improvement plans.

In FY2015 total impact fee revenue was \$2,665,875, this amount of revenue is consistent with the revenue earned in FY2014 and FY2013; 2,535,597 and \$2,589,828 respectively. The level of development has remained strong over the last three years with little change from year to year. Of the total \$1,460,029 collected in FY2015: \$2,665,875 (includes \$30,411 in interest income) was for parks, \$968,428 for fire, and \$237,418 for police. The majority of the revenue is from residential development, only \$223,411, or 8% was generated by commercial projects. The Fund also earned a small amount of interest; \$30,411.

In FY2015 only the Parks Department spent money in the impact fee fund. They spent a little over \$500,000 on various park development projects.

The Capital Projects Fund is restricted by City ordinance. At the end of each fiscal year, if development related permit fees exceed the costs of the Community Development Department (includes Planning Department, Building Department, Administration, and Economic Development); the excess is transferred into the Capital Projects Fund. The funds can be used for general government construction projects or the purchase of equipment with significant cost and a long life, i.e. a fire engine. At the end of FY2015 the Capital Improvement Fund has a balance of \$3,014,438. There are pending transfers into the fund of \$3,043,921 from the General Fund. That amount represents Community Development revenue from FY2014 and FY2015. The transfer will be approved by Council and executed in FY2016. In FY2015 the Parks Department used \$800,000 from the Capital Projects fund toward the Storey Park dog park.

Assigned for Public Safety purchases is a fund used to save for public safety construction or large capital purchases, principally fire engines. At the end of FY2015 this fund was down to a balance of \$105,217.

### General Fund Budgetary Highlights

The final FY2015 General Government budget was \$48,833,339. Actual expenditures were \$41,786,785.

There are three categories of budget expenditures; personnel, operating, and capital outlay. The discussion below will address each category and the differences between budget and actual.

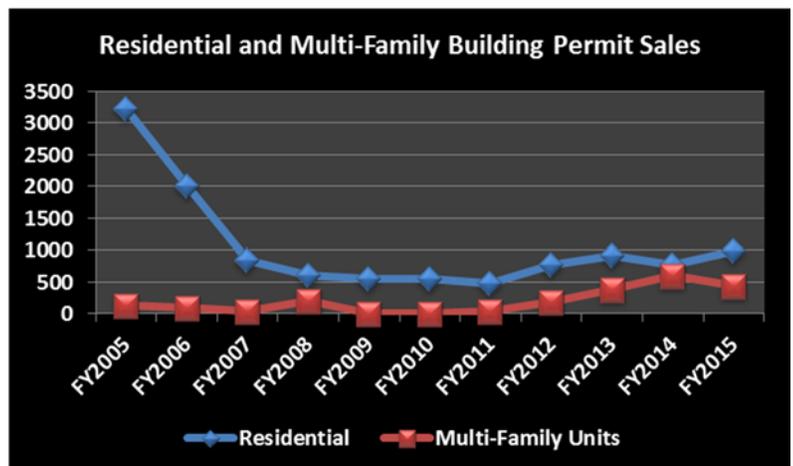
FY2015 General Fund actual revenue of \$43.1 million dollars exceeded the \$40.5 budget by \$2.6 million dollars.

| General Government Revenues  | FY2015 Budget       | FY2015 Actual       | FY2014 Actual       | % Change  | % of Total<br>FY2015 | % of Total<br>FY2014 |
|------------------------------|---------------------|---------------------|---------------------|-----------|----------------------|----------------------|
| <i>Taxes</i>                 | \$24,322,973        | \$24,786,974        | \$22,534,302        | 10%       | 57%                  | 57%                  |
| <i>Licenses and permits</i>  | \$4,176,650         | \$4,700,371         | \$4,225,502         | 11%       | 11%                  | 11%                  |
| <i>Intergovernmental</i>     | \$6,780,370         | \$7,194,813         | \$6,826,466         | 5%        | 17%                  | 17%                  |
| <i>Franchise fees</i>        | \$1,250,000         | \$1,455,287         | \$1,566,048         | -7%       | 3%                   | 4%                   |
| <i>Fines and forfeitures</i> | \$455,000           | \$487,776           | \$490,106           | 0%        | 1%                   | 1%                   |
| <i>Charges for services</i>  | \$1,376,243         | \$1,500,085         | \$1,443,208         | 4%        | 3%                   | 4%                   |
| <i>Impact Fees</i>           | \$1,927,836         | \$2,635,464         | \$2,535,597         | 4%        | 6%                   | 6%                   |
| <i>Donations</i>             | \$77,280            | \$78,762            | \$33,807            | 133%      | 0%                   | 0%                   |
| <i>Interest</i>              | \$140,000           | \$237,074           | \$174,634           | 36%       | 1%                   | 0%                   |
| <i>Miscellaneous</i>         | \$41,745            | \$45,388            | \$9,397             | 383%      | 0%                   | 0%                   |
| <b>TOTAL REVENUES</b>        | <b>\$40,548,097</b> | <b>\$43,121,994</b> | <b>\$39,839,067</b> | <b>8%</b> |                      |                      |

The largest percentage of General Fund income resides in property tax. Each budget year, by state law, taxing entities are allowed to increase the amount of property tax revenue they received during the prior calendar year by 3%. The City is also allowed to apply the prior year levy rate to the net market value of new construction. Since property tax is paid in arrears this allows the taxing entity to still collect revenue generated by new development. This helps the City provide services new growth requires. For FY2015 the City was eligible for a 5% increase for new construction and annexations. This means the City could levy 8% more for tax collections in FY2015 than they could in FY2014. The actual collected may vary due to the collection of delinquent amounts, etc.

The City of Meridian has experienced consistent growth each year since coming out of the economic slow-down in FY2012. This is illustrated in the building permit sales graphs below:

Intergovernmental revenue sharing is the second largest revenue stream, 17% of total revenue in FY2015. This category includes grants, sales tax revenue sharing, and a joint powers service agreement with the Meridian Rural Fire District. Sales tax revenue is the largest item in this category, comprising 68% of total intergovernmental revenue. The state distributes sales tax revenue to cities and counties based on a formula that in part uses population for each taxing entity. Increases in Meridian's population coupled with a more robust economy have resulted in a jump in revenue sharing for Meridian the last



three years. However, the City budgets conservatively for this revenue stream because it is vulnerable to changes in the economy. For FY2015 actual sales tax exceeded the budget by \$1,136,835.

The third largest source of General Fund revenue (11% of the total) in FY2015 was licenses and permits, namely building permit sales.

As discussed above building and development rebounded from the mid- 2000's decade recession in the spring of 2012. This uptick in activity has continued through FY2013, FY2014, and FY2015. The City is cautious when budgeting this category because a swing in the housing market will drastically reduce



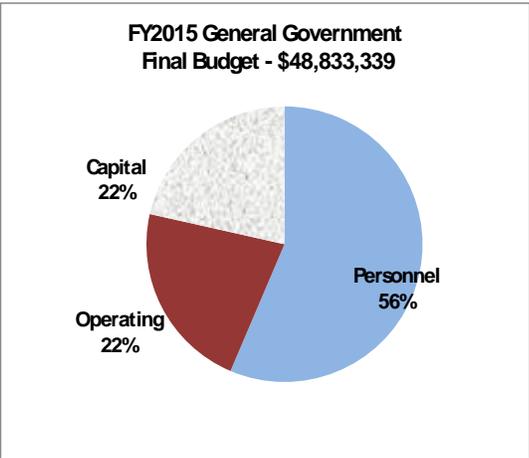
permit revenue. Additionally commercial permit revenue is difficult to predict because the fee structure is based on numerous factors such as square footage and value.

Multi-family housing development is relatively new to the City of Meridian. Following national trends the last three years the City issued more building permits for multi-family housing than at any time in the past. Budgeting for these permits, as with commercial, is difficult due to complexities in how building permits amounts are calculated.

Impact fee revenue exceeded the budgeted amount by \$707,628. As explained above impact fees are charged when the building permit is issued and the revenue is restricted to a narrow use by state law.

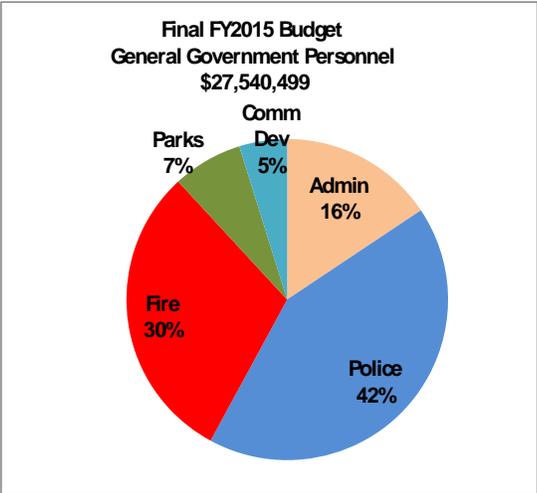
On the expenditure side of the budget expenses are divided into the personnel, operating, and capital as discussed above, and also by function. The functions are Administration, Public Safety (Police and Fire), Community Development Services, and Parks and Recreation. The largest percentage of the budget is in personnel cost which includes wages, payroll taxes, retirement, and health insurance.

Actual total general government expenditures, at \$41,786,785 ended the year \$7,046,554 under the final budget, of \$48,833,339. The largest budget to actual variance between budget and actual was due to underspending in the Parks Department capital budget. They did not spend \$3,436,085 of their capital budget. This is common because the City will save for projects, budgeting an amount each year until they accumulate enough funds for a whole project, or a large phase of a project.



The total General Government actual personnel expense was \$26,577,211, 3% under the final budget of \$27,540,499. Public Safety was 73% of the FY2015 final personnel budget as opposed to being 64% of the FY2014 personnel budget. The largest variance, \$445,612, between budget and actual, in FY2015 occurred in the Police Department. The reason for this is largely due to vacant positions; throughout FY2015 they had an average monthly vacancy of 6 positions. They received 4.5 additional positions in the FY2015 budget.

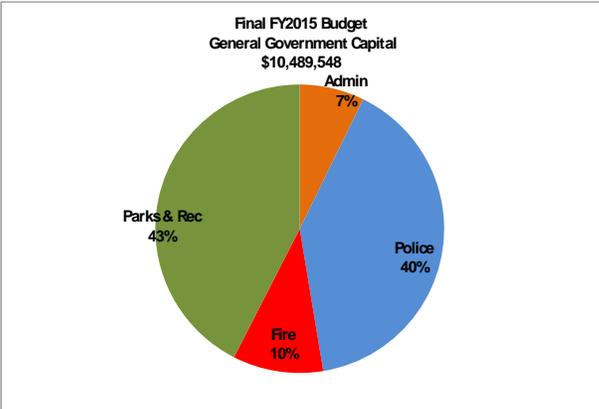
Overall the City added eight and a half positions to the General Government FY2015 budget; these positions were filled at various times throughout the year.



Operating expenses are a combination of on-going costs like fuel, utilities, supplies, and on-going maintenance, and one-time expenses like payments to consultants, or one time purchases of equipment. The FY2015 General Government spent \$9.5 million of their \$10.8 million dollar operating budget. A couple departments had significant variance between budget and actual. Administration ended the year 22% under their \$3.1 operating budget. One of their larger variances occurred between the HUD Block Grant budget of \$449,121 and the amount actually spent \$124,915.

The Police Department underspent their operating budget by 17%, spending \$2.2 million dollar of their \$2.7 million dollar budget. One of the more significant differences was in the furniture and fixtures account. The Department budgeted \$472,500 for furniture for their new training center building, but spent just a little over \$163,000.

The total governmental fund FY2015 capital budget was \$11,772,083, of which \$10,489,548 was budgeted from General funds and \$1,282,535 was budgeted from the Capital Projects Fund. During the fiscal year the City spent \$6,509,133. The capital budget consisted of vehicles, equipment, construction projects, land and land improvements. The Police Department completed a large project in FY2015; the existing station was remodeled and a separate training center constructed. The budget for this project was \$3.6 million; the actual cost was \$3.5 million. Several Parks projects are in a "savings account



status". Money is budgeted each year until there are sufficient funds available to complete the project. Significant projects that will span more than one budget year include;

- Parks and Recreation Field House, budget \$1,591,402, spent in FY2015 \$0.
- Parks land and park development, budget \$2,265,057, spent in FY2015 \$892,303.

**CAPITAL ASSET and DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2015 the City had \$319 million invested in capital assets (net of accumulated depreciation). During fiscal year 2015 the City's total investment in net capital assets increased 10%. See table below:

|                          | Capital Assets as of September 30, 2015<br>(net of depreciation) |                      |                               |                       |                             |                       |
|--------------------------|--|----------------------|-------------------------------|-----------------------|-----------------------------|-----------------------|
|                          | Governmental<br>Activities                                       |                      | Business - Type<br>Activities |                       | Total Primary<br>Government |                       |
|                          | 2015   | 2014                 | 2015                          | 2014                  | 2015                        | 2014                  |
| Land                     | \$ 26,150,337  | \$ 26,190,934        | \$ 1,966,193                  | \$ 1,681,817          | \$ 28,116,530               | \$ 27,872,751         |
| Easements                | 385,635  | 322,614              | 8,601,800                     | 7,918,844             | 8,987,435                   | 8,241,458             |
| Intangibles              | 1  | 4,704                | -                             | -                     | 1                           | 4,704                 |
| improvements             |  |                      |                               |                       |                             |                       |
| other than buildings     | 56,327,295   | 52,756,570           | 55,440,098                    | 41,745,350            | 111,767,393                 | 94,501,920            |
| Sewer and water lines    | -  | -                    | 133,389,782                   | 121,512,931           | 133,389,782                 | 121,512,931           |
| Equipment                | 4,420,648  | 4,226,362            | 17,541,812                    | 16,251,285            | 21,962,460                  | 20,477,647            |
| Construction in progress | 1,742,818  | 2,669,968            | 13,438,294                    | 19,760,614            | 15,181,112                  | 22,430,582            |
|                          | <u>\$ 89,026,734</u>   | <u>\$ 86,171,152</u> | <u>\$ 230,377,979</u>         | <u>\$ 208,870,841</u> | <u>\$ 319,404,713</u>       | <u>\$ 295,041,993</u> |

The City's investment in capital assets includes land, buildings, sewer and water lines, buildings, vehicles and equipment. Sidewalks, bridges, and roads belong to the Ada County Highway District.

Major capital asset events in the general government funds in FY2015 included:

- \$2.5 million for Public Safety Training Center
- \$1.4 for a dog park in Storey Dog Park
- \$941,460 for Police Building Remodel
- \$291,864 for City Hall West Side Parking Lot improvements
- \$500,885 for Police vehicles

Major capital asset events in the business-type funds in FY2015 included:

- \$1.3 million for Wastewater Treatment Plant administration and laboratory buildings
- \$1.7 million for Wastewater Maintenance Facility
- \$1.4 for Wastewater UV Disinfection
- \$5.5 million in sewer/water lines and wells construction
- \$13.4 million in donated and contributed capital water and sewer infrastructure

The City booked \$3,938,745 in depreciation expense for governmental City functions and \$7,692,588 for business-type activities.

**FY2016 Budgetary Considerations**

The City of Meridian's proposed FY2016 budget anticipated a level of economic activity commensurate with the prior year. Since the spring of 2012 construction and development has continued active and steady. However revenue forecasts remained conservative.

The General Fund FY2016 budget added eight and a half new employee positions. Five positions were added in the Police Department, one position added to the City Clerk's Office, one position added to the City Council, and one and a half positions in the Parks and Recreation Department.

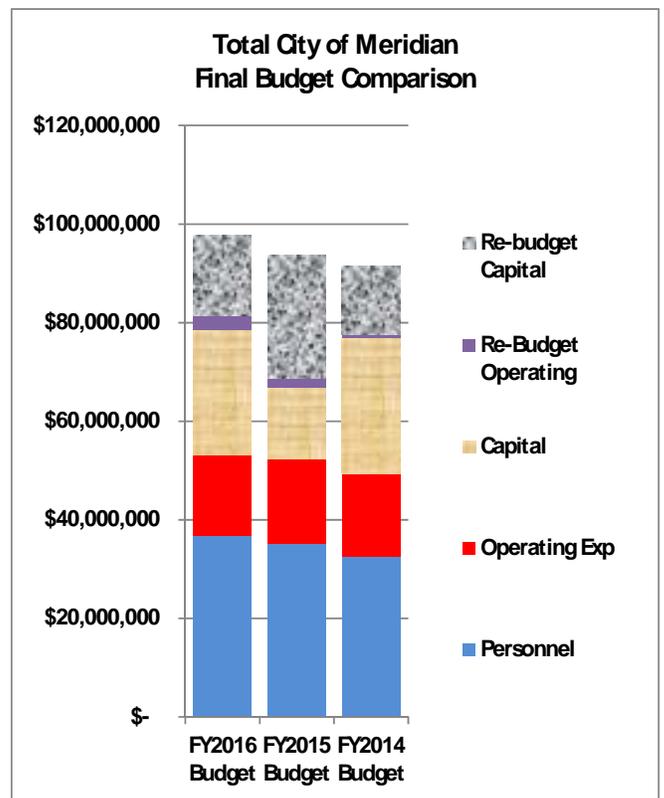
The General Fund FY2016 budget includes replacements of capital items and computers of \$1.7 million dollars. Larger items include;

- \$535,000 for fire engine
- \$410,962 for parks vehicles and equipment
- \$186,400 for computers and other electronic equipment
- \$327,500 for police vehicle replacement

During the first month of the FY2016 the Fire Department amended the budget to purchase an additional fire engine for \$525,000.

Larger General Fund FY2016 new capital items include;

- \$427,354 for development of pathway connections
- \$4,913,000 in impact fees for park development



The FY2016 Water and Sewer Enterprise Fund budget added two additional employee positions in Public Works Administration.

Larger Enterprise Fund Projects Include;

- \$9,940,000 for Waste Water Treatment Plan improvements
- \$225,000 for a waste water master plan
- \$2,275,000 for sewer lines
- \$1,250,000 for well abandonment
- \$3.9 million dollars for well and water line projects

**Requests for Information**

This report is designed to provide a general overview of the City of Meridian's finances for our citizens and customers. If you have questions about this report or need additional financial information, contact:

City of Meridian  
Finance Office  
33 E. Broadway Ave.  
Meridian, Idaho 83642

Phone: (208) 888-4433

City of Meridian, Idaho  
Statement of Net Position  
September 30, 2015

|  | Primary Government         |                             |                       | Component<br>Unit   |
|--|----------------------------|-----------------------------|-----------------------|---------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |                     |
| Assets   |                            |                             |                       |                     |
| Current Assets   |                            |                             |                       |                     |
| Cash and cash equivalents  | \$ 564,070                 | \$ 3,896,843                | \$ 4,460,913          | \$ 659,093          |
| Restricted cash and cash equivalents                                       | 399,575                    | -                           | 399,575               | -                   |
| Investments  | 28,151,239                 | 39,163,200                  | 67,314,439            | -                   |
| Restricted investments   | 9,413,524                  | -                           | 9,413,524             | -                   |
| Receivables  |                            |                             |                       |                     |
| Accounts (net of \$34,999 allowance<br>for enterprise fund uncollectibles) | 779,922                    | 3,213,251                   | 3,993,173             | 1,116               |
| Current portion of note receivable   | -                          | 55,854                      | 55,854                | -                   |
| Property taxes   | 26,608,988                 | -                           | 26,608,988            | 1,002,402           |
| Due from other governmental units  | 2,022,308                  | 5,816                       | 2,028,124             | -                   |
| Interest   | 45,524                     | 92,063                      | 137,587               | -                   |
| Deposits and prepaid expenses  | 811,936                    | 139,363                     | 951,299               | 3,258               |
| Total current assets   | <u>68,797,086</u>          | <u>46,566,390</u>           | <u>115,363,476</u>    | <u>1,665,869</u>    |
| Noncurrent Assets  |                            |                             |                       |                     |
| Long-term note receivable  | -                          | 1,005,367                   | 1,005,367             | -                   |
| Capital assets   |                            |                             |                       |                     |
| Land, infrastructure, and other assets not<br>depreciated                  | 28,278,790                 | 24,006,287                  | 52,285,077            | 845,067             |
| Buildings, improvements and equipment,<br>net of depreciation              | 60,747,944                 | 206,371,692                 | 267,119,636           | 598,988             |
| Total noncurrent assets  | <u>89,026,734</u>          | <u>231,383,346</u>          | <u>320,410,080</u>    | <u>1,444,055</u>    |
| Deferred Outflow of Resources  |                            |                             |                       |                     |
| Pension obligations  | 4,573,254                  | 1,143,314                   | 5,716,568             | -                   |
| Total Assets   | <u>\$ 162,397,074</u>      | <u>\$ 279,093,050</u>       | <u>\$ 441,490,124</u> | <u>\$ 3,109,924</u> |

City of Meridian, Idaho  
Statement of Net Position  
September 30, 2015

|   | Primary Government         |                             |                       | Component<br>Unit   |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |                     |
| <b>Liabilities</b>                            |                            |                             |                       |                     |
| <b>Current liabilities</b>                    |                            |                             |                       |                     |
| Accounts payable                              | \$ 1,722,337               | \$ 4,856,543                | \$ 6,578,880          | \$ 43,938           |
| Accrued payroll and taxes                     | 1,081,323                  | 266,137                     | 1,347,460             | -                   |
| Customer deposits                             | 234,611                    | 1,435,365                   | 1,669,976             | -                   |
| Due within one year                           |                            |                             |                       |                     |
| Accrued vacation - current portion            | 182,454                    | 25,519                      | 207,973               | -                   |
| Note payable - current portion                | -                          | -                           | -                     | 90,647              |
| <b>Total current liabilities</b>              | <u>3,220,725</u>           | <u>6,583,564</u>            | <u>9,804,289</u>      | <u>134,585</u>      |
| <b>Noncurrent liabilities</b>                 |                            |                             |                       |                     |
| Accrued vacation - less current portion       | 1,335,951                  | 229,675                     | 1,565,626             | -                   |
| Note payable - less current portion           | -                          | -                           | -                     | 617,104             |
| Settlement payable                            | -                          | 200,000                     | 200,000               | -                   |
| Net pension liability                         | 8,753,519                  | 2,188,380                   | 10,941,899            | -                   |
| <b>Total noncurrent liabilities</b>           | <u>10,089,470</u>          | <u>2,618,055</u>            | <u>12,707,525</u>     | <u>617,104</u>      |
| <b>Deferred Inflows of Resources</b>          |                            |                             |                       |                     |
| Pension employer assumptions                  | 5,646,143                  | 1,411,536                   | 7,057,679             | -                   |
| Unavailable revenues - property taxes         | 25,971,982                 | -                           | 25,971,982            | 965,836             |
| <b>Total liabilities and deferred inflows</b> | <u>44,928,320</u>          | <u>10,613,155</u>           | <u>55,541,475</u>     | <u>1,717,525</u>    |
| <b>Net Position</b>                           |                            |                             |                       |                     |
| Net investment in capital assets              | 89,026,731                 | 230,377,979                 | 319,404,710           | 736,035             |
| Restricted for                                |                            |                             |                       |                     |
| MDC Urban Renewal Projects                    | -                          | -                           | -                     | 656,364             |
| Impact funds                                  | 9,821,810                  | -                           | 9,821,810             | -                   |
| Grant funds                                   | 4,824                      | -                           | 4,824                 | -                   |
| Capital improvements                          | 6,058,359                  | -                           | 6,058,359             | -                   |
| Unrestricted                                  | 12,557,030                 | 38,101,916                  | 50,658,946            | -                   |
| <b>Total net position</b>                     | <u>117,468,754</u>         | <u>268,479,895</u>          | <u>385,948,649</u>    | <u>1,392,399</u>    |
| <b>Total Liabilities and Net Position</b>     | <u>\$ 162,397,074</u>      | <u>\$ 279,093,050</u>       | <u>\$ 441,490,124</u> | <u>\$ 3,109,924</u> |

| Functions/Programs            | Expenses             | Program Revenues     |                                    |                                  |
|-------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                               |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government            |                      |                      |                                    |                                  |
| Governmental Activities       |                      |                      |                                    |                                  |
| General government            |                      |                      |                                    |                                  |
| Administration                | \$ 7,323,111         | \$ 185,948           | \$ 161,959                         | \$ -                             |
| Public safety                 |                      |                      |                                    |                                  |
| Law enforcement               | 13,871,847           | 912,308              | 249,434                            | 237,418                          |
| Fire department               | 9,646,791            | 1,243,523            | 39,430                             | 1,298,358                        |
| Parks and recreation          | 5,266,386            | 664,926              | 65,659                             | 1,528,757                        |
| Community development         | <u>3,214,876</u>     | <u>4,870,012</u>     | <u>39,340</u>                      | <u>-</u>                         |
| Total governmental activities | 39,323,011           | 7,876,717            | 555,822                            | 3,064,533                        |
| Business-Type Activities      |                      |                      |                                    |                                  |
| Water and wastewater          | <u>22,075,979</u>    | <u>23,376,694</u>    | <u>8,871,580</u>                   | <u>11,149,103</u>                |
| Total Primary Government      | <u>\$ 61,398,990</u> | <u>\$ 31,253,411</u> | <u>\$ 9,427,402</u>                | <u>\$ 14,213,636</u>             |
| Component Unit                |                      |                      |                                    |                                  |
| Downtown development          | <u>\$ 802,864</u>    | <u>\$ -</u>          | <u>\$ -</u>                        | <u>\$ -</u>                      |

General revenues  
 Shared revenues  
     Property taxes, levied for general purposes  
     Franchise fees  
     Sales tax and other governmental  
     Investment earnings  
     Net increase (decrease) in fair value of investments  
     Miscellaneous  
 Gain (loss) on sale of fixed assets  
 Transfers - internal activities

Total general revenues and transfers

Change in Net Position  
 Net Position, Beginning of Year, as Restated

Net Position, Ending of Year

City of Meridian, Idaho  
Statement of Activities  
Year Ended September 30, 2015

| Net (Expense) Revenue and Changes in Net Position |                             |                       |                     |
|---|-----------------------------|-----------------------|---------------------|
| Primary Government                                |                             |                       |                     |
| Government<br>Activities                          | Business-type<br>Activities | Total                 | Component<br>Unit   |
| \$ (6,975,204)                                    | \$ -                        | \$ (6,975,204)        | \$ -                |
| (12,472,687)                                      | -                           | (12,472,687)          | -                   |
| (7,065,480)                                       | -                           | (7,065,480)           | -                   |
| (3,007,044)                                       | -                           | (3,007,044)           | -                   |
| 1,694,476   | -                           | 1,694,476             | -                   |
| (27,825,939)                                      | -                           | (27,825,939)          | -                   |
| -   | 21,321,398                  | 21,321,398            | -                   |
| <u>\$ (27,825,939)</u>                            | <u>\$ 21,321,398</u>        | <u>\$ (6,504,541)</u> | <u>\$ -</u>         |
| <u>\$ -</u>                                       | <u>\$ -</u>                 | <u>\$ -</u>           | <u>\$ (802,864)</u> |
| \$ 24,729,318                                     | \$ -                        | \$ 24,729,318         | \$ 836,533          |
| 1,455,287   | -                           | 1,455,287             | -                   |
| 5,501,620   | -                           | 5,501,620             | -                   |
| 243,741   | 422,777                     | 666,518               | 617                 |
| 146,777   | 242,894                     | 389,671               | -                   |
| 45,389  | 24,776                      | 70,165                | 12                  |
| (49,848)  | (35,399)                    | (85,247)              | -                   |
| 2,003,013   | (2,003,013)                 | -                     | -                   |
| 34,075,297  | (1,347,965)                 | 32,727,332            | 837,162             |
| 6,249,358   | 19,973,433                  | 26,222,791            | 34,298              |
| 111,219,396                                       | 248,506,462                 | 359,725,858           | 1,358,101           |
| <u>\$ 117,468,754</u>                             | <u>\$ 268,479,895</u>       | <u>\$ 385,948,649</u> | <u>\$ 1,392,399</u> |

City of Meridian, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2015

|   | General              | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|--------------------------------|
| <b>Assets</b>   |                      |                     |                                |
| Cash and cash equivalents                             | \$ 564,070           | \$ -                | \$ 564,070                     |
| Investments   | 24,350,424           | 3,800,815           | 28,151,239                     |
| Receivables   |                      |                     |                                |
| Accounts  | 779,922              | -                   | 779,922                        |
| Property taxes  | 26,608,988           | -                   | 26,608,988                     |
| Due from other governmental units                     | 787,036              | -                   | 787,036                        |
| Grants  | 2,022,308            | -                   | 2,022,308                      |
| Interest  | 44,865               | 659                 | 45,524                         |
| Prepaid items   | 811,936              | -                   | 811,936                        |
| Restricted assets                                     |                      |                     |                                |
| Cash and cash equivalents                             | 399,575              | -                   | 399,575                        |
| Investments   | 9,413,524            | -                   | 9,413,524                      |
|   | <u>\$ 65,782,648</u> | <u>\$ 3,801,474</u> | <u>\$ 69,584,122</u>           |
| <b>Liabilities, Deferred Inflows and Fund Balance</b> |                      |                     |                                |
| <b>Liabilities</b>                                    |                      |                     |                                |
| <b>Current Liabilities</b>                            |                      |                     |                                |
| Accounts payable                                      | \$ 1,722,337         | \$ -                | \$ 1,722,337                   |
| Accrued payroll and taxes                             | 1,081,323            | -                   | 1,081,323                      |
| Due to other funds                                    | -                    | 787,036             | 787,036                        |
| Customer deposits                                     | 234,611              | -                   | 234,611                        |
| Total current liabilities                             | <u>3,038,271</u>     | <u>787,036</u>      | <u>3,825,307</u>               |
| <b>Deferred Inflows of Resources</b>                  |                      |                     |                                |
| Unavailable revenue - property taxes                  | 26,549,079           | -                   | 26,549,079                     |
| Total liabilities and deferred inflows                | <u>29,587,350</u>    | <u>787,036</u>      | <u>30,374,386</u>              |
| <b>Fund Balances</b>                                  |                      |                     |                                |
| <b>Nonspendable</b>                                   |                      |                     |                                |
| Prepays   | 811,936              | -                   | 811,936                        |
| <b>Restricted</b>                                     |                      |                     |                                |
| Impact Fund   | 8,882,764            | -                   | 8,882,764                      |
| Fund Balance Budget of Carryforward                   | 939,047              | -                   | 939,047                        |
| Capital Projects Fund                                 | 3,043,921            | 2,585,707           | 5,629,628                      |
| Fund Balance Budget of Carryforward                   | -                    | 428,731             | 428,731                        |
| Grant Fund  | 4,824                | -                   | 4,824                          |
| <b>Assigned</b>                                       |                      |                     |                                |
| Fund Balance Budget of Carryforward                   | 2,986,161            | -                   | 2,986,161                      |
| Public Safety Fund                                    | 105,217              | -                   | 105,217                        |
| Unassigned  | 19,421,428           | -                   | 19,421,428                     |
| Total fund balances                                   | <u>\$ 65,782,648</u> | <u>\$ 3,014,438</u> | <u>\$ 69,584,122</u>           |

City of Meridian, Idaho  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2015

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|   |                              |
|---|------------------------------|
| Fund balances - total governmental funds  | \$ 39,209,736                |
| <p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>                        |                              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                 | 89,026,734                   |
| Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. | 577,097                      |
| Long-term debt is not due and payable in the current period and therefore is not reported in the funds.                                 |                              |
| Net pension liability   | (8,753,519)                  |
| Deferred outflows of resources related to pension obligations.  | 4,573,254                    |
| Deferred inflows of resources related to pensions.  | (5,646,143)                  |
| Accrued vacation is not due and payable in the current period and therefore is not reported in the funds.                               | <u>(1,518,405)</u>           |
| Net position of governmental activities   | <u><u>\$ 117,468,754</u></u> |

City of Meridian, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
September 30, 2015

|  | General              | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------------|
| <b>Revenues</b>  |                      |                     |                                |
| Taxes  | \$ 24,786,974        | \$ -                | \$ 24,786,974                  |
| Licenses and permits   | 4,700,371            | -                   | 4,700,371                      |
| Intergovernmental  | 7,194,813            | -                   | 7,194,813                      |
| Franchise fees   | 1,455,287            | -                   | 1,455,287                      |
| Fines and forfeitures  | 487,776              | -                   | 487,776                        |
| Charges for services   | 1,500,085            | -                   | 1,500,085                      |
| Interest   | 237,074              | 6,667               | 243,741                        |
| Miscellaneous  | 45,388               | -                   | 45,388                         |
| Donations  | 78,762               | -                   | 78,762                         |
| Impact revenues  | 2,635,464            | -                   | 2,635,464                      |
| Total revenues   | <u>43,121,994</u>    | <u>6,667</u>        | <u>43,128,661</u>              |
| <b>Expenditures</b>  |                      |                     |                                |
| General government   | 6,648,143            | -                   | 6,648,143                      |
| Public safety  | 22,683,152           | -                   | 22,683,152                     |
| Parks and recreation   | 3,521,910            | -                   | 3,521,910                      |
| Community development services                               | 3,224,455            | -                   | 3,224,455                      |
| Capital outlay   | 5,709,125            | 800,000             | 6,509,125                      |
| Total expenditures   | <u>41,786,785</u>    | <u>800,000</u>      | <u>42,586,785</u>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>1,335,209</u>     | <u>(793,333)</u>    | <u>541,876</u>                 |
| <b>Other Financing Sources (Uses)</b>                        |                      |                     |                                |
| Operating transfer in  | 2,204,751            | -                   | 2,204,751                      |
| Operating transfer out                                       | (201,739)            | -                   | (201,739)                      |
| Unrealized gain (loss) on investments                        | 148,208              | (1,430)             | 146,778                        |
| Proceeds from sale of capital assets                         | 66,378               | -                   | 66,378                         |
| Total other financing sources (uses)                         | <u>2,217,598</u>     | <u>(1,430)</u>      | <u>2,216,168</u>               |
| Net Change in Fund Balances                                  | 3,552,807            | (794,763)           | 2,758,044                      |
| Fund Balance, Beginning of Year                              | <u>32,642,491</u>    | <u>3,809,201</u>    | <u>36,451,692</u>              |
| Fund Balance, End of Year                                    | <u>\$ 36,195,298</u> | <u>\$ 3,014,438</u> | <u>\$ 39,209,736</u>           |

City of Meridian, Idaho  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2015

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Change in fund balance - total governmental funds \$ 2,758,044

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on sale of assets in the current period.

|                     |                  |           |
|---------------------|------------------|-----------|
| New capital         | \$ 6,509,133     |           |
| Depreciation        | (3,938,745)      |           |
| Loss on fixed asset | <u>(116,227)</u> |           |
| Total               |                  | 2,454,161 |

Capital assets contributed by citizens or developers are not a source of financial resources and thus, are not recognized in the governmental funds. 401,421

Some property tax revenue in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds. (57,656)

Committed contribution is payable in the current period but expensed in prior year. 500,000

Expenditures (revenues) related to the net pension liability that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 298,973

Expenditures related to the long-term portion of accrued vacation do not require the use of current financial resources and therefore are not reported as expenditures governmental funds. (105,585)

Change in net position of governmental activities \$ 6,249,358

City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2015

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|   | <u>Enterprise Fund<br/>Water<br/>and Sewer</u> |
|---|--|
| Assets  |  |
| Current Assets  |  |
| Cash and cash equivalents                               | \$ 3,896,843                                   |
| Investments   | 39,163,200                                     |
| Receivables   |  |
| Accounts (net of \$34,999 allowance for uncollectibles) | 3,213,251                                      |
| Current portion of long-term note receivable            | 55,854   |
| Due from other governments                              | 5,816  |
| Interest  | 92,063   |
| Prepays   | <u>139,363</u>                                 |
| Total current assets                                    | <u>46,566,390</u>                              |
| Noncurrent Assets                                       |  |
| Long-term note receivable                               | 1,005,367                                      |
| Capital assets  |  |
| Land  | 1,966,193                                      |
| Easements   | 8,601,800                                      |
| Construction in progress                                | 13,438,294                                     |
| Buildings and improvements other than buildings         | 77,655,152                                     |
| Sewer and water lines                                   | 170,014,381                                    |
| Machinery and equipment                                 | 32,675,845                                     |
| Less accumulated depreciation                           | <u>(73,973,686)</u>                            |
| Total noncurrent assets                                 | 231,383,346                                    |
| Deferred Outflow of Resources                           |  |
| Pension investments                                     | <u>1,143,314</u>                               |
| Total assets  | <u>\$ 279,093,050</u>                          |

City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2015

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|   | <u>Enterprise Fund<br/>Water<br/>and Sewer</u> |
|---|--|
| Liabilities and Net Position            |  |
| Current Liabilities                     |  |
| Accounts payable                        | \$ 4,856,543                                   |
| Accrued payroll and taxes               | 266,137  |
| Accrued vacation - current portion      | 25,519   |
| Customer deposits                       | <u>1,435,365</u>                               |
| Total current liabilities               | <u>6,583,564</u>                               |
| Noncurrent Liabilities                  |  |
| Accrued vacation - less current portion | 229,675  |
| Net pension liability                   | 2,188,380                                      |
| Settlement payable                      | <u>200,000</u>                                 |
| Total noncurrent liabilities            | <u>2,618,055</u>                               |
| Deferred Inflow of Resources            |  |
| Pension investments                     | <u>1,411,536</u>                               |
| Net Position                            |  |
| Net invested in capital assets          | 230,377,979                                    |
| Unrestricted                            | <u>38,101,916</u>                              |
| Total net position                      | <u>268,479,895</u>                             |
| Total liabilities and net position      | <u>\$ 279,093,050</u>                          |

City of Meridian, Idaho  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year Ended September 30, 2015

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|  | <u>Enterprise Fund<br/>Water<br/>and Sewer</u> |
|--|--|
| Operating Revenues                           |  |
| Charges for services                         |  |
| Water sales                                  | \$ 7,980,829                                   |
| Sewer sales                                  | 13,698,185                                     |
| Other service revenues                       | 451,315  |
| Sale of meters                               | 358,648  |
| Trash billing service                        | 637,168  |
| Engineering fees                             | 250,549  |
| Miscellaneous                                | <u>24,776</u>                                  |
| Total operating revenues                     | <u>23,401,470</u>                              |
| Operating Expenses                           |  |
| Personnel services                           | 6,912,739                                      |
| Other services and charges                   | 3,821,212                                      |
| Depreciation                                 | 7,692,588                                      |
| Supplies                                     | 2,523,998                                      |
| Heat, lights and power                       | <u>1,125,442</u>                               |
| Total operating expenses                     | <u>22,075,979</u>                              |
| Operating Income                             | <u>1,325,491</u>                               |
| Nonoperating Revenues (Expenses)             |  |
| Interest revenue                             | 422,777  |
| Connection assessment fees and donations     | 8,938,071                                      |
| Gain on sale of fixed assets                 | (35,399)                                       |
| Net increase in fair value of investments    | <u>242,894</u>                                 |
| Total nonoperating revenues                  | <u>9,568,343</u>                               |
| Income Before Contributions and Transfers    | 10,893,834                                     |
| Donated waterlines and sewerlines            | 11,082,612                                     |
| Operating transfers out                      | <u>(2,003,013)</u>                             |
| Change in Net Position                       | 19,973,433                                     |
| Net Position, Beginning of Year, as Restated | <u>248,506,462</u>                             |
| Net Position, End of Year                    | <u>\$ 268,479,895</u>                          |

City of Meridian, Idaho  
Statement of Cash Flows – Proprietary Fund  
Year Ended September 30, 2015

|   | Enterprise Fund<br>Water<br>and Sewer |
|---|---------------------------------------|
| Operating Activities  |                                       |
| Receipts from customers and users   | \$ 23,407,908                         |
| Payments to suppliers   | (6,546,085)                           |
| Payments to employees   | (6,944,196)                           |
| Net Cash from Operating Activities  | 9,917,627                             |
| Noncapital Financing Activities   |                                       |
| Operating transfer to general fund  | (2,003,013)                           |
| Net Cash used for Noncapital Financing Activities                               | (2,003,013)                           |
| Capital and Related Financing Activities  |                                       |
| Connection assessment fees  | 8,938,071                             |
| Proceeds from sale of capital assets  | 20,723                                |
| Payments on notes receivable  | 219,703                               |
| Payments on debt related to Meridian Heights                                    | (511,936)                             |
| Acquisition of capital assets   | (15,127,793)                          |
| Net Cash used for Capital and Related Financing Activities                      | (6,461,232)                           |
| Investing Activities  |                                       |
| Purchase of investments   | (18,202,916)                          |
| Sale of investments   | 16,335,000                            |
| Interest received   | 397,507                               |
| Net Cash used for Investing Activities  | (1,470,409)                           |
| Net Change in Cash  | (17,027)                              |
| Cash and Cash Equivalents, Beginning of Year                                    | 3,913,870                             |
| Cash and Cash Equivalents, End of Year  | \$ 3,896,843                          |
| Reconciliation of Operating Income to Net Cash from Operating Activities        |                                       |
| Operating income  | \$ 1,325,491                          |
| Adjustments to reconcile operating income to net cash from operating activities |                                       |
| Depreciation  | 7,692,588                             |
| GASB 68 expense   | (74,743)                              |
| Changes in assets and liabilities   |                                       |
| Accounts receivable   | 6,438                                 |
| Prepaid items   | (37,287)                              |
| Accounts payable  | 925,243                               |
| Accrued payroll and taxes   | 43,286                                |
| Customer deposits   | 36,611                                |
| Net Cash from Operating Activities  | \$ 9,917,627                          |
| Supplemental Disclosure of Cash Flow Information                                |                                       |
| Developer and customer contributed sewer and water lines                        | \$ 11,082,612                         |
| Consolidation of Meridian Heights   | \$ 3,045,442                          |

## **Note 1 - Summary of Significant Accounting Policies**

The City of Meridian, Idaho (the City) was incorporated August, 1903. The City operates under a mayor and council form of government and provides the following services as authorized by its charter; public safety (police and fire), community planning and development, parks and recreation, general administrative services, and water and sewer service.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

### **Financial Reporting Entity**

As required by generally accepted accounting principles, these basic financial statements present the City in conformance with GASB, component units are organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the City.

Component units are legally separate organizations for which the City is financially accountable. The component unit column in the combined financial statements is the financial data of the City's single component unit, the Meridian Development Corporation (MDC). MDC is a separate and distinct legal entity created by state statute. The directors of MDC are appointed by the Mayor and approved by the City Council. MDC promotes downtown development services for the citizens of the City. Complete financial statements can be obtained from the City of Meridian Division of Financial Management, 33 East Broadway Avenue, Meridian, Idaho.

The City contributes to the multi-employer Public Employee Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan; therefore, the plan's financial statements are not included in this report.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds;

*General Fund* - The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

*Capital Projects Fund*- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary fund;

*Enterprise Fund* – The Enterprise Fund is used to account for water and sewer operations financed and operated in a manner similar to private business. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Additionally the governing body may have decided that periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for water and sewer sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses, such as fees property owners pay to connect to the utility system, not meeting this definition are reported as non-operating revenues and expenses.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Property Taxes Receivable**

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the City is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflow of resources at the City's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the City.

### **Customer Services Receivable**

Amounts owed to the City for customer services are due from area residents and businesses and relate to water, sewer and trash services provided by the City. The receivable is reported net of an allowance for uncollectible accounts. An allowance is reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts was \$34,999 as of September 30, 2015.

### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., parks, wells, water and sewer lines and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and over for machinery and equipment, \$25,000 and over for building and land improvements, buildings, intangibles, and infrastructure, and an estimated useful life in excess of three years. Land acquisitions regardless of cost are recorded as capital assets. All material fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date donated.

GASB requires that the City capitalize and report intangible assets, such as easements and internally created software. To value easements, the City uses current land values calculated from Ada County Assessor’s data divided by two, internally developed software is valued at cost.

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

|                                   | Estimated Useful<br><u>Life (Years)</u> |
|-----------------------------------|---|
| Buildings                         | 30                                      |
| Sewer plant                       | 25                                      |
| Sewer and water lines             | 50                                      |
| Improvements other than buildings | 10-50                                   |
| Equipment and software            | 5-20                                    |
| Public domain infrastructure      | 40                                      |

Maintenance, repairs, and minor renewals are charged to operations as incurred. When an asset is disposed of accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets of business-type activities are capitalized when they are material. No interest costs were included as part of the cost of capital assets under construction in the current year.

### **Compensated Absences Payable**

The City provides vacation and sick leave to its full-time employees. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees’ termination, retirement or death. The City does not pay earned sick pay upon the employees’ termination, retirement or death for non-union employees. The Fire Department union members are paid ten percent of their sick leave accrual upon the employees’ voluntary termination, 25% upon employees’ retirement, and 100% upon employees’ death. The amount of unused vacation accumulated by City employees is accrued as an expense when incurred in the Proprietary Fund, which uses the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year’s accumulation, no additional expenditures are accrued.

### **Deferred Outflows/Inflows of Resources**

The statement of net position includes a separate section for deferred outflows of resources. The separate financial statement element, represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The City’s deferred outflow of resources consist of the pension obligation. The pension obligation results from the difference between the projected and actual investment earnings, the changes in assumptions, the change the City’s proportionate share of the City’s net pension liability, and the contributions subsequent to the measurement date of the City’s net pension liability.

In addition to the liabilities, the statement of net position includes a separate section for deferred inflow of resources. This separate financial statement element, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in the category: the deferred net pension and unavailable revenue. The employer deferred net pension results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. The unavailable revenue is reported in both the statement of net position and the balance sheet for the governmental fund and represents the unavailable revenues from property taxes.

### **Pensions**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho base plan and additions to/deductions from the base plan's fiduciary net position have been determined on the same basis as they are reported by the base plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Fund Balances**

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use for specific purposes. Fund balances in the governmental balance sheet are categorized as follows:

*Nonspendable* - when the resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid accounts, and assets held for resale.

*Restricted* - when the constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - when the City Council passes an ordinance or resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution, respectively.

*Assigned* - when it is intended for a specific purpose and the authority to "assign" is delegated to the City's Chief Financial Officer.

*Unassigned* - fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

The City Council adopted a Fund Balance Policy that establishes a practice of reserving four months of the current year budget of personnel and recurring annual operating costs as minimum fund balance needed to ensure sufficient cash flow to meet the City's obligations. This reserve will be in the unassigned fund balance. This policy also recommends a spending order of restricted, committed, assigned and then unassigned unless Council approves otherwise.

### **Risk Management**

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability, medical and disability insurance. The City's exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

### **Recently Issued and Adopted Accounting Pronouncements**

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The effect of these new standards on beginning net position is disclosed in Note 14 and the additional disclosures required by these standards are included in Note 9.

During the year ended September 30, 2015, the City implemented GASB Statement No. 69 *Governments Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. See Note 13 and 14 for the effect of the implementation GASB 69 had on the City's financial statements.

**Note 2 - Cash and Investments**

Cash and investments as of September 30, 2015 are classified in the accompanying financial statements as follows:

|  |                      |
|--|----------------------|
| Cash and cash equivalents              | \$ 4,460,913         |
| Cash and cash equivalents - restricted | <u>399,575</u>       |
| Total cash and cash equivalents        | <u>\$ 4,860,488</u>  |
| Investments                            | \$ 67,314,439        |
| Investments - restricted               | <u>9,413,524</u>     |
| Total investments                      | <u>\$ 76,727,963</u> |

**Investments Authorized by the State of Idaho and the City of Meridian’s Investment Policy**

Investment types that are authorized for the City of Meridian by the Idaho Code and the City’s investment policy are as follows:

1. Local, State and U.S. Agency Bonds
2. U. S. Agency Securities
3. Certificates of Deposit

The City also participates in the State of Idaho Local Investment Pool (LGIP) and the State of Idaho Diversified Bond Fund (DBF). Both the LGIP and the DBF are regulated by Idaho Code under the oversight of the Treasurer of the State of Idaho.

The LGIP is a low risk investment pool with high liquidity. The City’s investment in the pool is reported in the accompanying financial statements based on the City pro-rata share of the fair market value provided by the fund for the entire portfolio. The LGIP is not currently rated by a nationally recognized rating agency. The funds are invested in short term investments in the priority order of safety, liquidity, and yield.

The DBF invests in longer term investment vehicles with higher returns over time than the LGIP. The DBF is not currently rated by a nationally recognized rating agency. However the investment guidelines require that funds be invested in high quality securities that provide a high level of return, with a reasonable level of risk while meeting or exceeding the Barclay’s Capital Intermediate A+ Aggregate Fixed Income Index. The City invests money in the DBF that it does not expect to need within the next three to five years. The City’s investment in the DBF is reported based on its pro-rata share of the fair market value provided by the fund for the entire portfolio.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. This risk can be managed using a calculation called duration that uses various inputs such as yield and years until maturity to estimate interest rate risk. Generally the higher the duration

number the higher the risk. The City manages exposure to interest rate risk by purchasing a combination of long and short-term investments.

| <u>Investment Type</u>                        | <u>Fair Value</u>               | <u>Rating</u> | <u>Duration</u> |
|---|---------------------------------|---------------|-----------------|
| Agency bonds                                  | \$ 25,480,861                   | AAA           | 3.1             |
| Municipal bonds                               | 1,131,651                       | AA+           | 4.5             |
| Certificates of deposit                       | 245,627                         | not rated     |                 |
| Idaho Local Government Investment Pool (LGIP) | 30,135,102                      | not rated     |                 |
| Idaho Diversified Bond Fund                   | 19,734,722                      | not rated     |                 |
| Money market funds                            | 2,219,566                       | not rated     |                 |
| Other cash and cash equivalents               | <u>2,640,922</u>                |               |                 |
| <br>Total cash and investments                | <br><u><u>\$ 81,588,451</u></u> |               |                 |

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy is consistent with the State Code related to credit risk.

### Concentration of Credit Risk

When investments are concentrated in one issuer this concentration represents increased risk of potential loss. The GASB has adopted a principal that governments should provide note disclosure when five percent of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are exempt from disclosure. The City's investment policy has no limitations on the amount that can be invested in any one issuer.

Investments in any one issuer (other than State Investment Pools) that represent 5% or more of total City investments are as follows:

| <u>Issuer</u>            | <u>Investment Type</u> | <u>Reported Amount</u> | <u>Percentage</u> |
|--------------------------|------------------------|------------------------|-------------------|
| Federal Home Loan Bank   | U.S. Agency Bond       | \$ 9,698,270           | 13%               |
| Fannie Mae               | U.S. Agency Bond       | \$ 6,111,114           | 8%                |
| Federal Farm Credit Bank | U.S. Agency Bond       | \$ 6,472,319           | 8%                |

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

At year end, the carrying amount of the City’s cash deposits was \$4,860,488 and the bank balance was \$5,096,543. Of the bank balance \$96,472 is guaranteed by the Securities Investor Protection Corporation, \$250,000 was covered by federal depository insurance, \$2,123,094 was collateralized with securities held at the Federal Home Bank of Seattle for the Bank of the Cascades and pledged to the City of Meridian and the remainder of our deposits \$2,626,977 with Bank of the Cascades are secured in an undivided collateral pool for public agencies.

The City minimizes exposure to custodial credit risk with investments by requiring that to the extent possible they be identified as to City of Meridian ownership and be held in the City’s name. All commercial paper, agency bonds and municipal bonds are held in custody by Charles Schwab & Co. in the City’s name. The City further reduces risk by confining investment to insured levels in any one institution.

**Note 3 - Due from Other Governmental Units**

The following summarizes the intergovernmental receivables at September 30, 2015:

|   |                                |
|---|--------------------------------|
| State of Idaho                              |                                |
| State Liquor Dispensary                     | \$ 132,577                     |
| State Tax Commission                        | 1,416,637                      |
| Idaho Transportation Department             | 53,906                         |
| Idaho Crimes Against Children               | 44,410                         |
| Federal Agencies                            | 104,123                        |
| Meridian Downtown Development               | 29,770                         |
| Meridian Rural Fire District                | 211,401                        |
| Ada County                                  | <u>35,300</u>                  |
| <br>Total Due from Other Governmental Units | <br><u><u>\$ 2,028,124</u></u> |

**Note 4 - Capital Assets**

Changes to capital assets are as follows:

| <b>Governmental Activities</b>              | Balance<br>Oct. 1,<br>2014 | Additions           | Deletions         | Transfers          | Balance<br>Sept. 30,<br>2015 |
|---|----------------------------|---------------------|-------------------|--------------------|------------------------------|
| Capital assets, not depreciated             |                            |                     |                   |                    |                              |
| Land  | \$ 26,190,934              | \$ -                | \$ 40,597         | \$ -               | \$ 26,150,337                |
| Easements                                   | 322,614                    | 63,021              | -                 | -                  | 385,635                      |
| Construction in progress                    | 2,669,968                  | 1,538,720           | -                 | (2,465,870)        | 1,742,818                    |
| Total capital assets, not depreciated       | <u>29,183,516</u>          | <u>1,601,741</u>    | <u>40,597</u>     | <u>(2,465,870)</u> | <u>28,278,790</u>            |
| Capital assets, depreciated                 |                            |                     |                   |                    |                              |
| Buildings                                   | 35,206,895                 | 3,543,079           | 87,028            | 1,380,278          | 40,043,224                   |
| Improvements other than buildings           | 32,596,479                 | 453,246             | -                 | 1,085,592          | 34,135,317                   |
| Internally developed software               | 47,027                     | -                   | -                 | -                  | 47,027                       |
| Equipment                                   | 12,431,800                 | 1,312,488           | 403,218           | -                  | 13,341,070                   |
| Total capital assets, depreciated           | <u>80,282,201</u>          | <u>5,308,813</u>    | <u>490,246</u>    | <u>2,465,870</u>   | <u>87,566,638</u>            |
| Less accumulated depreciation for           |                            |                     |                   |                    |                              |
| Buildings                                   | 7,463,770                  | 1,214,442           | 52,196            | -                  | 8,626,016                    |
| Improvements other than buildings           | 7,583,034                  | 1,642,196           | -                 | -                  | 9,225,230                    |
| Internally developed software               | 42,323                     | 4,703               | -                 | -                  | 47,026                       |
| Equipment                                   | 8,205,438                  | 1,077,404           | 362,420           | -                  | 8,920,422                    |
| Total accumulated depreciation              | <u>23,294,565</u>          | <u>3,938,745</u>    | <u>414,616</u>    | <u>-</u>           | <u>26,818,694</u>            |
| Total net capital assets, depreciated       | <u>56,987,636</u>          | <u>1,370,068</u>    | <u>75,630</u>     | <u>2,465,870</u>   | <u>60,747,944</u>            |
| Governmental activities capital assets, net | <u>\$ 86,171,152</u>       | <u>\$ 2,971,809</u> | <u>\$ 116,227</u> | <u>\$ -</u>        | <u>\$ 89,026,734</u>         |

City of Meridian, Idaho  
Notes to Financial Statements  
September 30, 2015

| <b>Business-type Activities</b>                    | Balance<br>Oct. 1,<br>2014 | Meridian<br>Heights Water<br>Sewer District | Additions            | Deletions        | Transfers           | Balance<br>Sept. 30,<br>2015 |
|--|----------------------------|---|----------------------|------------------|---------------------|------------------------------|
| Capital assets, not depreciated                    |                            |   |                      |                  |                     |                              |
| Land   | \$ 1,681,817               | \$ 930                                      | \$ 275,449           | \$ -             | \$ 7,997            | \$ 1,966,193                 |
| Easements  | 7,918,844                  | -   | 682,956              | -                | -                   | 8,601,800                    |
| Construction in progress                           | 19,760,614                 | -   | 7,459,067            | -                | (13,781,387)        | 13,438,294                   |
| Total capital assets, not depreciated              | <u>29,361,275</u>          | <u>930</u>                                  | <u>8,417,472</u>     | <u>-</u>         | <u>(13,773,390)</u> | <u>24,006,287</u>            |
| Capital assets, depreciated                        |                            |   |                      |                  |                     |                              |
| Buildings and improvements<br>other than buildings | 61,354,844                 | -   | 4,305,141            | 62,939           | 12,058,106          | 77,655,152                   |
| Sewer and water lines                              | 154,844,130                | 2,180,409                                   | 11,945,579           | -                | 1,044,263           | 170,014,381                  |
| Machinery and equipment                            | 29,717,510                 | 864,103                                     | 1,542,213            | 119,002          | 671,021             | 32,675,845                   |
| Total capital assets, depreciated                  | <u>245,916,484</u>         | <u>3,044,512</u>                            | <u>17,792,933</u>    | <u>181,941</u>   | <u>13,773,390</u>   | <u>280,345,378</u>           |
| Less accumulated depreciation for                  |                            |   |                      |                  |                     |                              |
| Buildings and improvements<br>other than buildings | 19,609,494                 | -   | 2,612,379            | 6,819            | -                   | 22,215,054                   |
| Sewer and water lines                              | 33,331,199                 | -   | 3,293,400            | -                | -                   | 36,624,599                   |
| Machinery and equipment                            | 13,466,225                 | -   | 1,786,809            | 119,001          | -                   | 15,134,033                   |
| Total accumulated depreciation                     | <u>66,406,918</u>          | <u>-</u>                                    | <u>7,692,588</u>     | <u>125,820</u>   | <u>-</u>            | <u>73,973,686</u>            |
| Total net capital assets, depreciated              | <u>179,509,566</u>         | <u>3,044,512</u>                            | <u>10,100,345</u>    | <u>56,121</u>    | <u>13,773,390</u>   | <u>206,371,692</u>           |
| Business-type activities capital assets, net       | <u>\$ 208,870,841</u>      | <u>\$ 3,045,442</u>                         | <u>\$ 18,517,817</u> | <u>\$ 56,121</u> | <u>\$ -</u>         | <u>\$ 230,377,979</u>        |

Depreciation expense was charge to functions/programs of the City as follows:

|   |                     |
|---|---------------------|
| Governmental activities                               |                     |
| General government                                    | \$ 1,203,023        |
| Public safety   | 976,968             |
| Parks and recreation                                  | <u>1,758,754</u>    |
| Total depreciation expense - governmental activities  | <u>\$ 3,938,745</u> |
| Business-type activities                              |                     |
| Water and Sewer                                       | <u>\$ 7,692,588</u> |
| Total depreciation expense - business-type activities | <u>\$ 7,692,588</u> |

**Note 5 - Interfund Balances and Transfers**

The following transfers were made for the purpose of funding operations:

|                 | Transfer In         |                             |                     |
|-----------------|---------------------|-----------------------------|---------------------|
|                 | General<br>Fund     | Capital<br>Projects<br>Fund | Total               |
| Transfer out    |                     |                             |                     |
| General Fund    | \$ -                | \$ -                        | \$ -                |
| Enterprise Fund | 2,003,013           | -                           | 2,003,013           |
| Total transfers | <u>\$ 2,003,013</u> | <u>\$ -</u>                 | <u>\$ 2,003,013</u> |

The transfer from the enterprise fund to the general fund was related to personnel and operating costs that were paid by the general fund during FY2015.

Advances to/from other funds as of September 30, 2015:

|                         | Receivable<br>Due To | Payable<br>Due From | Total       |
|-------------------------|----------------------|---------------------|-------------|
| Payable (Due From) Fund |                      |                     |             |
| General Fund            | \$ 787,036           | \$ -                | \$ 787,036  |
| Capital Projects Fund   | -                    | (787,036)           | (787,036)   |
| Total                   | <u>\$ 787,036</u>    | <u>\$ (787,036)</u> | <u>\$ -</u> |

**Note 6 - Changes in Long-Term Obligations**

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2015:

|                          | Balance<br>Oct.1, 2014 | Debt<br>Issued   | Debt<br>Retired | Balance<br>Sept. 30, 2015 | Due<br>Within<br>One Year |
|--------------------------|------------------------|------------------|-----------------|---------------------------|---------------------------|
| Governmental Activities  |                        |                  |                 |                           |                           |
| Accrued vacation         | \$ 1,412,820           | \$ 105,585       | \$ -            | \$ 1,518,405              | \$ 182,454                |
| Business-type activities |                        |                  |                 |                           |                           |
| Accrued vacation         | \$ 242,589             | \$ 12,605        | \$ -            | \$ 255,194                | \$ 25,519                 |
| Settlement payable       | 200,000                | -                | -               | 200,000                   | -                         |
|                          | <u>\$ 442,589</u>      | <u>\$ 12,605</u> | <u>\$ -</u>     | <u>\$ 455,194</u>         | <u>\$ 25,519</u>          |

**Note 7 - Fund Balances – Governmental Funds**

As of September 30, 2015 fund balances were classified as follows:

*Nonspendable* - the City's nonspendable fund balance was for prepaid expenses.

*Restricted* - the City had restricted fund balances for impact fees as mandated by the State of Idaho and for grant revenues per the grant agreement.

*Assigned* - Includes; carry forward of FY2015 balance to be spent in FY2016 (carry forward amounts), Capital Projects Funds (General Fund capital construction projects), and an assignment of fund balance for public safety capital projects or purchases.

*Unassigned* - this classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

|   | Balance<br>Oct. 1, 2014 | Net Change   | Balance<br>Sept. 30, 2015 |
|---|-------------------------|--------------|---------------------------|
| Fund Balances                             |                         |              |                           |
| Nonspendable                              |                         |              |                           |
| Prepays                                   | \$ 296,455              | \$ 515,481   | \$ 811,936                |
| Restricted                                |                         |              |                           |
| Impact fund                               | 6,567,007               | 2,315,757    | 8,882,764                 |
| Impact fund budget carryforward           | 1,101,204               | (162,157)    | 939,047                   |
| Grant fund                                | 4,824                   | -            | 4,824                     |
| Assigned                                  |                         |              |                           |
| General fund budget carryforward          | 6,397,207               | (3,411,046)  | 2,986,161                 |
| Capital projects fund                     | 3,918,341               | 1,711,287    | 5,629,628                 |
| Capital projects fund budget carryforward | 1,282,536               | (853,805)    | 428,731                   |
| Public safety fund                        | 104,414                 | 803          | 105,217                   |
| Public safety fund budget carryforward    | 1,371,783               | (1,371,783)  | -                         |
| Unassigned                                | 15,407,921              | 4,013,507    | 19,421,428                |
| Total fund balances                       | \$ 36,451,692           | \$ 2,758,044 | \$ 39,209,736             |

**Note 8 - Lease Agreements**

The City has operating leases for land and office equipment. In FY2014 the City entered into a prepaid irrevocable use 20 year agreement with Syringa Networks, LLC for the right to use certain dark fiber in the Syringa Networks System. The City was required to make an initial payment of \$1,367,000 to Syringa to install the fiber. The City has no ownership rights now or in the future in the fiber, but prepayment is considered an asset and recorded as a capital asset. The agreement also requires that the City pay annual maintenance and operating costs for a period of twenty years.

The various equipment lease agreements cover periods from July 24, 2007 through August 8, 2034, and the minimum annual payments range from \$959 to \$13,800. Total rental expense in FY2015 for all operating leases (which include rental, maintenance and usage) was approximately \$180,024.

Future minimum annual lease payments for operating leases with remaining lease terms in excess of one year are as follows:

|                               |                              |
|-------------------------------|------------------------------|
| Operating Leases              |                              |
| 2016                          | \$ 68,716                    |
| 2017                          | 52,369                       |
| 2018                          | 37,909                       |
| 2019                          | 14,210                       |
| 2020                          | 13,800                       |
| 2021-2025                     | 69,000                       |
| 2026-2030                     | 69,000                       |
| 2031-2035                     | <u>55,200</u>                |
| <br>Total minimum obligations | <br><u><u>\$ 380,204</u></u> |

## Note 9 - Defined Benefit Pension Plan

### *Plan Description*

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

*Employee membership data related to the PERSI Base Plan, as of September 30, 2015 was as follows:*

|                            |                       |
|----------------------------|-----------------------|
| Members                    |                       |
| Active Plan                | 67,008                |
| Terminated and vested      | 11,859                |
| Retirees and beneficiaries | <u>42,657</u>         |
|                            | <u><u>121,524</u></u> |

### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$2,682,620 for the year ended September 30, 2015.

### *Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the City's proportion was 0.008309225.

For the year ended September 30, 2015, the City recognized pension expense of (\$2,180,436). At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ -                              | \$ 1,311,698                     |
| Changes in Assumptions or other inputs   | 398,487                           | -                                |
| Net difference between projected and actual earnings on pension plan investments   | 4,026,922                         | 5,745,981                        |
| Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions | 598,799                           | -                                |
| City contributions subsequent to the measurement date  | 692,360                           | -                                |
| Total  | \$ 5,716,568                      | \$ 7,057,679                     |

\$692,360 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2015.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

|      |                |
|------|----------------|
| 2016 | \$ (992,234)   |
| 2017 | (992,234)      |
| 2018 | (992,234)      |
| 2019 | 944,844        |
| 2020 | (1,612)        |
|      | \$ (2,033,470) |

#### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                   |
|----------------------------|-----------------------------------|
| Inflation                  | 3.25%                             |
| Salary increases           | 4.25 – 10.00%                     |
| Salary inflation           | 3.75%                             |
| Investment rate of return  | 7.10%, net of investment expenses |
| Cost-of-living adjustments | 1%                                |

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

| Asset Class                | Index              | Target Allocation | Long-Term Expected Real Rate of Return* |
|----------------------------|--------------------|-------------------|---|
| Core Fixed Income          | Barclays Aggregate | 30.00%            | 0.80%                                   |
| Broad US Equities          | Russell 3000       | 55.00%            | 6.90%                                   |
| Developed Foreign Equities | MSCI ACWI ex USA   | 15.00%            | 7.55%                                   |

\*Arithmetic return

**Actuarial Assumptions**

|  |              |
|--|--------------|
| Assumed Inflation – Mean   | 3.25%        |
| Assumed Inflation – Standard Deviation   | 2.00%        |
| Portfolio Arithmetic Mean Return   | 8.42%        |
| Portfolio Long-Term Expected Geometric Rate of Return                          | 7.50%        |
| Assumed Investment Expenses  | <u>0.40%</u> |
| <b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b> | <b>7.10%</b> |

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

|  | 1 % Decrease<br>(6.10%) | Current<br>Discount Rate<br>(7.10%) | 1% Increase<br>(8.10%) |
|--|-------------------------|-------------------------------------|------------------------|
| Employer's proportionate share<br>of the net pension liability (asset) | \$ 26,650,487           | \$ 10,941,899                       | \$ (2,117,711)         |

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Payables to the pension plan*

At September 30, 2015, the City reported payables to the defined benefit pension plan of \$238,524 for legally required employer contributions and \$138,001 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 10 - Other Commitments**

The City had the following commitments at September 30, 2015:

| Commitment                          | Amount       |
|-------------------------------------|--------------|
| Animal control services             | \$ 322,788   |
| Building improvements & maintenance | 9,030        |
| Dues & contributions                | 683,356      |
| Equipment and electronics           | 422,750      |
| Janitorial services                 | 169,776      |
| Leases                              | 32,370       |
| Park improvements                   | 148,854      |
| Parks maintenance                   | 140,900      |
| Professional services               | 1,210,010    |
| Public Safety Training Center       | 146,007      |
| Sidewalk improvements               | 63,272       |
| Utility billing software            | 294,837      |
| Wastewater buildings                | 42,537       |
| Wastewater headworks improvements   | 592,652      |
| Wastewater ultraviolet improvements | 650,359      |
| Wastewater improvement              | 373,829      |
| Water and Sewer line replacements   | 217,251      |
| Water well improvements             | 1,100,292    |
| Total commitments                   | \$ 6,620,870 |

**Note 11 - Other Post-Employment Benefits**

The City's Fire Union contract, effective October 1, 2015 changed the way post-employment health care benefits are paid to Fire Union retirees. Prior to this date, Fire Union retirees, who qualified under PERSI's rule of 80 by points, age, medical disability, or by any method in existence at the time of retirement allowed by PERSI were allowed to a health care benefit of the value of 25% of their sick leave balance at the time of retirement. This was used to pay the health insurance premium for the employee until the cash value was depleted. With such a small pool of employees eligible for this post-employment benefit, it has been the City's position that it is not cost effective to have an actuarial determination performed to calculate the ARC (Annual Required Contribution) as required by GASB 45. In accordance with GASB 45 the City has 30 years to accrue the unfunded portion of any existing liability. At no time was the amount material enough to have an actuarial determination performed to calculate the ARC (Annual Required Contribution) as required by GASB 45.

From October 1, 2015 forward Fire Union employees will receive a one-time cash payout of 25% of qualifying sick leave accrual. This means the City has no post-employment benefits to report in accordance with GASB 45.

### **Note 12 - Contingent Liabilities**

The City has been named as a defendant in various legal actions, the results of which are not presently determinable, except as described below. However, in the opinion of the City Attorney, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will not be material.

In 2006, the City entered into an agreement with a developer to jointly provide water and sewer services for a subdivision under development (Bittercreek Meadows Subdivision Homeowners Association), outside the City limits. The developer put in a well and turned it over to the City so that homeowners could connect to the City water system. Since the development did not grow beyond 24 lots the City was not able to provide sewer and water services. In 2011, the agreement was nullified and the City paid damages to the developer, reimbursed the existing homeowners for their cost to connect to City water, deeded back the well, the well lot, a lift station lot, and land easements to the homeowners.

In 2014, the City of Meridian entered into a Settlement and Mutual Release Agreement with Bittercreek Meadows Subdivision Homeowners Association in which the City agreed to connect 24 lots to the City of Kuna's waste water treatment plant. The cost to do this is not known since it is dependent on development of adjoining vacant land but an estimated cost of \$200,000 was recorded and is reflected in the Statement of Net Position for our Proprietary Fund.

### **Note 13 - Government Combination**

The City entered into an agreement to annex the homes in a subdivision outside of city limits and provide them with water and sewer service. The subdivision had a utility district, Meridian Heights Water and Sewer District, with failing infrastructure. On December 16, 2014, the District Court approved the dissolution of the District and the transfer of assets and liabilities to the City of Meridian effective December 19, 2014. The City recognized capital assets \$3,045,442 for wells and water and sewer lines.

The District debt, as of December 31, 2014, was \$1,280,294. This debt was approved by the District Board prior to dissolution. The former members of the District (286 properties) are repaying the City of Meridian for this debt over a period of 20 years at an interest rate of 3.5% as follows:

| Fiscal Year | Annual Payment |
|-------------|----------------|
| 2016        | \$ 81,432      |
| 2017        | 81,432         |
| 2018        | 81,432         |
| 2019        | 81,432         |
| 2020        | 81,432         |
| 2021-2025   | 407,160        |
| 2026-2030   | 246,901        |
|             | \$ 1,061,221   |

**Note 14 - Restatement**

The City assumed the assets and liabilities of the Meridian Heights Water and Sewer District as of December 31, 2014, as a result of this Government Combination the beginning net position has been restated below.

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements, including additional note disclosures and required supplementary information. During the year ended, September 30, 2015 the City implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*.

As a result of the changes in accounting principle, beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| Beginning net position as previously reported<br>at September 30, 2014  | \$ 121,344,777             | \$ 247,992,364              | \$ 369,337,141        |
| District combination  | -                          | 3,045,443                   | 3,045,443             |
| Prior period adjustment, Implementation of GASB 68/71                   |                            |                             |                       |
| Net pension liability   | (4,639,224)                | (1,159,806)                 | (5,799,030)           |
| Deferred inflows, investments and experience<br>during fiscal year 2014 | (6,386,443)                | (1,596,611)                 | (7,983,054)           |
| Deferred outflows, contributions made<br>during fiscal year 2014        | 514,111                    | 128,528                     | 642,639               |
| Deferred outflows, assumptions during<br>fiscal year 2014               | 386,175                    | 96,544                      | 482,719               |
| Total prior period adjustment   | (10,125,381)               | (2,531,345)                 | (12,656,726)          |
| Net Position, September 30, 2014, as Restated                           | <u>\$ 111,219,396</u>      | <u>\$ 248,506,462</u>       | <u>\$ 359,725,858</u> |

**Note 15 - Related Party**

The City partners with Meridian Development Corporation (MDC) for various downtown improvements. During the year ended September 30, 2015, the City reimbursed MDC \$250 for downtown business association dues and received \$64,234 for utility payments and various items reimbursed by MDC.

**Note 16 - Component Unit**

The MDC is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate and legal entity.

### MDC – Capital Assets

Changes to capital assets are as follows:

|   | Balance<br>Oct. 1, 2014 | Additions        | Deletions          | Transfers   | Balance<br>Sept. 30, 2015 |
|---|-------------------------|------------------|--------------------|-------------|---------------------------|
| Governmental Activities                     |                         |                  |                    |             |                           |
| Capital assets, not depreciated             |                         |                  |                    |             |                           |
| Land  | \$ 845,067              | \$ -             | \$ -               | \$ -        | \$ 845,067                |
| Total capital assets, not depreciated       | <u>845,067</u>          | <u>-</u>         | <u>-</u>           | <u>-</u>    | <u>845,067</u>            |
| Capital assets, depreciated                 |                         |                  |                    |             |                           |
| Buildings                                   | 579,710                 | -                | -                  | -           | 579,710                   |
| building improvements                       | 18,981                  | 131,188          | (18,981)           | -           | 131,188                   |
| Equipment                                   | 105,495                 | -                | (5,059)            | -           | 100,436                   |
| Intangibles                                 | 180,161                 | -                | -                  | -           | 180,161                   |
| Total capital assets, depreciated           | <u>884,347</u>          | <u>131,188</u>   | <u>(24,040)</u>    | <u>-</u>    | <u>991,495</u>            |
| Less accumulated depreciation for           |                         |                  |                    |             |                           |
| Buildings                                   | (100,051)               | (21,810)         | 632                | -           | (121,229)                 |
| Equipment                                   | (80,580)                | (13,790)         | 3,252              | -           | (91,118)                  |
| Intangibles                                 | (163,704)               | (16,456)         | -                  | -           | (180,160)                 |
| Total accumulated depreciation              | <u>(344,335)</u>        | <u>(52,056)</u>  | <u>3,884</u>       | <u>-</u>    | <u>(392,507)</u>          |
| Total net capital assets, depreciated       | <u>540,012</u>          | <u>79,132</u>    | <u>(20,156)</u>    | <u>-</u>    | <u>598,988</u>            |
| Governmental activities capital assets, net | <u>\$ 1,385,079</u>     | <u>\$ 79,132</u> | <u>\$ (20,156)</u> | <u>\$ -</u> | <u>\$ 1,444,055</u>       |

### MDC – Changes in Long-Term Debt

MDC has a promissory note for \$1,274,000 that matures on March 5, 2022 with a fixed interest rate of 3.89% collateralized by real property.

The following is a summary of changes in debt of MDC for the year ended September 30, 2015.

|  | 2014              | Debt Issued | Debt Retired       | 2015              |
|--|-------------------|-------------|--------------------|-------------------|
| Governmental Activities                          |                   |             |                    |                   |
| Note payable - building                          | \$ 803,020        | \$ -        | \$ (95,269)        | \$ 707,751        |
| Governmental Activities<br>long-term liabilities | <u>\$ 803,020</u> | <u>\$ -</u> | <u>\$ (95,269)</u> | <u>\$ 707,751</u> |

Maturities of the note payable are as follows for the years ended September 30:

| Fiscal Year | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|-------------|-------------------|-------------------|-------------------|
| 2016        | \$ 90,649         | \$ 23,781         | \$ 114,430        |
| 2017        | 102,638           | 22,192            | 124,830           |
| 2018        | 106,703           | 18,127            | 124,830           |
| 2019        | 110,928           | 13,901            | 124,829           |
| 2020        | 115,321           | 9,809             | 125,130           |
| 2021-2022   | <u>181,512</u>    | <u>19,245</u>     | <u>200,757</u>    |
| Totals      | <u>\$ 707,751</u> | <u>\$ 107,055</u> | <u>\$ 814,806</u> |

### **MDC – Related Party Transactions**

MDC partners with the City for various downtown improvements. During the fiscal year, MDC reimbursed the City of Meridian for cost related to joint projects.

### **MDC – Line of Credit**

MDC has entered into a revolving line of credit with Washington Trust Bank that provides for available borrowings up to \$100,000. The agreement matures on July 30, 2016 and is unsecured. Borrowings under the line of credit bear variable interest rate at 3.25% per annum. There were no amounts outstanding on the line as of September 30, 2015. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.



Required Supplementary Information  
September 30, 2015

# City of Meridian, Idaho

City of Meridian, Idaho  
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 Year Ended September 30, 2015

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**Schedule of Employer's Share of Net Pension Liability**  
**PERSI - Base Plan**  
**Last 2 Fiscal Years\***

|  | 2015          | 2014          |
|--|---------------|---------------|
| Employer's portion of net pension liability  | 0.83092250%   | 0.7877442%    |
| Employer's Proportionate share of the net pension liability  | \$ 10,941,899 | \$ 5,799,030  |
| Employer's covered-employee payroll  | \$ 23,418,704 | \$ 21,670,660 |
| Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll | 46.72%        | 26.76%        |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 91.38%        | 94.95%        |

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of July 1, 2015 for the PERSI Base Plan

**Schedule of Employer Contributions**  
**PERSI - Base Plan**  
**Last 2 Fiscal Years\***

|  | 2015          | 2014          |
|--|---------------|---------------|
| Statutory required contribution                                  | \$ 2,717,964  | \$ 2,560,496  |
| Contributions in relation to the statutory required contribution | \$ 2,682,620  | \$ 2,461,739  |
| Contribution (deficiency) excess                                 | \$ (35,344)   | \$ (98,757)   |
| Employer's covered-employee payroll                              | \$ 24,029,237 | \$ 22,142,233 |
| Contributions as a percentage of covered-employee payroll        | 11.16%        | 11.12%        |

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of September 30, 2015.

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund  
Year Ended September 30, 2015

|  | Budgeted Amounts    |                    | Actual<br>Amounts | Variance With<br>Final Budget |
|--|---------------------|--------------------|-------------------|-------------------------------|
|  | Original            | Final              |                   |                               |
| <b>Revenues</b>  |                     |                    |                   |                               |
| Taxes  | \$ 24,322,973       | \$ 24,322,973      | \$ 24,786,974     | \$ 464,001                    |
| Licenses and permits   | 4,176,650           | 4,176,650          | 4,700,371         | 523,721                       |
| Intergovernmental  | 6,157,273           | 6,780,370          | 7,194,813         | 414,443                       |
| Franchise fees   | 1,250,000           | 1,250,000          | 1,455,287         | 205,287                       |
| Fines and forfeitures  | 455,000             | 455,000            | 487,776           | 32,776                        |
| Charges for services   | 1,367,150           | 1,376,243          | 1,500,085         | 123,842                       |
| Impact revenues  | 1,927,836           | 1,927,836          | 2,635,464         | 707,628                       |
| Donations  | 8,250               | 77,280             | 78,762            | 1,482                         |
| Interest   | 140,000             | 140,000            | 237,074           | 97,074                        |
| Miscellaneous  | 5,000               | 41,745             | 45,388            | 3,643                         |
| <b>Total revenues</b>  | <b>39,810,132</b>   | <b>40,548,097</b>  | <b>43,121,994</b> | <b>2,573,897</b>              |
| <b>Expenditures</b>  |                     |                    |                   |                               |
| General government personnel costs                                   | 4,250,009           | 4,304,237          | 4,181,434         | 122,803                       |
| General government operating expense                                 | 2,396,485           | 3,148,773          | 2,466,709         | 682,064                       |
| Public safety  |                     |                    |                   |                               |
| Police personnel costs   | 11,591,282          | 11,643,212         | 11,197,600        | 445,612                       |
| Police operating expense   | 2,528,998           | 2,770,128          | 2,295,588         | 474,540                       |
| Fire personnel costs   | 8,328,124           | 8,327,399          | 8,137,151         | 190,248                       |
| Fire operating expense   | 1,096,791           | 1,157,603          | 1,052,813         | 104,790                       |
| Parks and recreation personnel costs                                 | 1,938,591           | 1,938,591          | 1,916,114         | 22,477                        |
| Parks and recreation operating expense                               | 1,661,761           | 1,697,032          | 1,605,796         | 91,236                        |
| Community development personnel costs                                | 1,327,060           | 1,327,060          | 1,144,912         | 182,148                       |
| Community development operating expense                              | 1,938,700           | 2,029,756          | 2,079,543         | (49,787)                      |
| Capital outlay   |                     |                    |                   |                               |
| General government   | 1,305,979           | 757,978            | 459,269           | 298,709                       |
| Public safety  |                     |                    |                   |                               |
| Police   | 4,635,835           | 4,198,172          | 4,012,937         | 185,235                       |
| Fire   | 1,558,913           | 1,058,913          | 230,121           | 828,792                       |
| Parks and recreation   | 5,303,563           | 4,442,883          | 1,006,798         | 3,436,085                     |
| Community development  | 31,602              | 31,602             | -                 | 31,602                        |
| <b>Total expenditures</b>  | <b>49,893,693</b>   | <b>48,833,339</b>  | <b>41,786,785</b> | <b>7,046,554</b>              |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>(10,083,561)</b> | <b>(8,285,242)</b> | <b>1,335,209</b>  | <b>9,620,451</b>              |

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund  
Year Ended September 30, 2015

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|                                       | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
|                                       | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| Other Financing Sources (Uses)        |                         |                      |                           |                                       |
| Operating transfer in                 | 2,308,215               | 2,388,215            | 2,204,751                 | (183,464)                             |
| Operating transfer out                | (215,862)               | (215,862)            | (201,739)                 | 14,123                                |
| Unrealized gain (loss) on investments | -                       | -                    | 148,208                   | 148,208                               |
| Gain on sale of capital assets        | -                       | -                    | 66,378                    | 66,378                                |
| Total other financing sources         | <u>2,092,353</u>        | <u>2,172,353</u>     | <u>2,217,598</u>          | <u>45,245</u>                         |
| Excess (Deficiency) of Revenues       |                         |                      |                           |                                       |
| Other Sources (Uses) Over (Under)     |                         |                      |                           |                                       |
| Expenditures                          | <u>(7,991,208)</u>      | <u>(6,112,889)</u>   | <u>3,552,807</u>          |                                       |
| Fund Balance, Beginning of Year       | <u>32,642,491</u>       | <u>32,642,491</u>    | <u>32,642,491</u>         |                                       |
| Fund Balance, End of Year             | <u>\$ 24,651,283</u>    | <u>\$ 26,529,602</u> | <u>\$ 36,195,298</u>      |                                       |

**Note 1 - Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the CFO, Department Directors, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. Budgets for enterprise funds are not legally required but are adopted on a non-GAAP basis. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations. The budget presented in the report has been amended.

Formal budgetary integration is employed as a management control device during the year for all funds.



Other Information  
September 30, 2015

## City of Meridian, Idaho

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund  
Year Ended September 30, 2015

|   | Budget Amounts     |                     | Actual<br>Amounts   | Variance<br>with<br>Final Budget |
|---|--------------------|---------------------|---------------------|----------------------------------|
|   | Original           | Final               |                     |                                  |
| Revenues  |                    |                     |                     |                                  |
| Interest  | \$ 2,000           | \$ 2,000            | \$ 6,667            | \$ 4,667                         |
| Total revenues  | <u>2,000</u>       | <u>2,000</u>        | <u>6,667</u>        | <u>4,667</u>                     |
| Expenditures  |                    |                     |                     |                                  |
| General government capital outlay   | 482,535            | 482,535             | -                   | 482,535                          |
| Parks and recreation capital outlay   | 800,000            | 800,000             | 800,000             | -                                |
| Total expenditures  | <u>1,282,535</u>   | <u>1,282,535</u>    | <u>800,000</u>      | <u>482,535</u>                   |
| Excess (Deficiency) of revenues<br>over (Under) Expenditures                          | <u>(1,280,535)</u> | <u>(1,280,535)</u>  | <u>(793,333)</u>    | <u>487,202</u>                   |
| Other Financing Sources (Uses)  |                    |                     |                     |                                  |
| Unrealized gain (loss) on investments   | -                  | -                   | (1,430)             | (1,430)                          |
| Total other financing uses  | <u>-</u>           | <u>-</u>            | <u>(1,430)</u>      | <u>(1,430)</u>                   |
| Excess (Deficiency) of Revenues and Other<br>Sources (Uses) Over (Under) Expenditures | <u>(1,280,535)</u> | <u>(1,280,535)</u>  | <u>(794,763)</u>    |                                  |
| Fund Balance, Beginning of Year   | <u>1,658,892</u>   | <u>933,735</u>      | <u>3,809,201</u>    |                                  |
| Fund Balance, End of Year   | <u>\$ 378,357</u>  | <u>\$ (346,800)</u> | <u>\$ 3,014,438</u> |                                  |

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Enterprise Fund  
Year Ended September 30, 2015

|  | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance<br>with<br>Final Budget |
|--|----------------------|----------------------|----------------------|----------------------------------|
|  | Original             | Final                |                      |                                  |
| <b>Revenues</b>  |                      |                      |                      |                                  |
| Water sales  | \$ 7,877,467         | \$ 7,877,467         | \$ 7,980,829         | \$ 103,362                       |
| Sewer sales  | 13,454,159           | 13,454,159           | 13,698,185           | 244,026                          |
| Other service revenues   | 300,000              | 323,000              | 451,315              | 128,315                          |
| Sale of meters   | 250,000              | 250,000              | 358,648              | 108,648                          |
| Trash billing service  | 618,000              | 618,000              | 637,168              | 19,168                           |
| Engineering fees   | 130,000              | 130,000              | 250,549              | 120,549                          |
| Assessment revenue and cash donations  | 5,363,260            | 5,363,917            | 8,938,071            | 3,574,154                        |
| Interest   | 190,000              | 190,000              | 422,777              | 232,777                          |
| Miscellaneous  | 11,000               | 11,000               | 24,776               | 13,776                           |
| Total revenues   | <u>28,193,886</u>    | <u>28,217,543</u>    | <u>32,762,318</u>    | <u>4,544,775</u>                 |
| <b>Expenditures</b>  |                      |                      |                      |                                  |
| Administration personnel costs   | 3,410,146            | 3,410,146            | 3,113,576            | 296,570                          |
| Administration operating expenses  | 2,557,484            | 2,631,361            | 1,687,223            | 944,138                          |
| Water personnel costs  | 1,645,865            | 1,645,865            | 1,480,670            | 165,195                          |
| Water operating expenses   | 2,814,898            | 2,721,596            | 2,646,982            | 74,614                           |
| Wastewater personnel costs   | 2,654,842            | 2,654,842            | 2,380,631            | 274,211                          |
| Wastewater operating expenses  | 4,059,190            | 4,013,149            | 3,136,447            | 876,702                          |
| Capital outlay   | 25,388,572           | 19,940,099           | 15,127,793           | 4,812,306                        |
| Total expenditures   | <u>42,530,997</u>    | <u>37,017,058</u>    | <u>29,573,322</u>    | <u>7,443,736</u>                 |
| Excess (Deficiency) of Revenues<br>over (Under) Expenditures                             | <u>(14,337,111)</u>  | <u>(8,799,515)</u>   | <u>3,188,996</u>     | <u>11,988,511</u>                |
| <b>Other Financing Sources (Uses)</b>  |                      |                      |                      |                                  |
| Operating transfer out   | (2,092,354)          | (2,172,354)          | (2,003,013)          | 169,341                          |
| Unrealized gain on investments   | -                    | -                    | 242,894              | 242,894                          |
| Gain (loss) on sale of capital assets  | -                    | -                    | 20,724               | 20,724                           |
| Total other financing sources (uses)   | <u>(2,092,354)</u>   | <u>(2,172,354)</u>   | <u>(1,739,395)</u>   | <u>432,959</u>                   |
| Excess (Deficiency) of Revenues and<br>Other Sources (Uses) Over (Under)<br>Expenditures | <u>(16,429,465)</u>  | <u>(10,971,869)</u>  | <u>1,449,601</u>     |                                  |
| Fund Balance, Beginning of Year  | <u>39,121,523</u>    | <u>39,121,523</u>    | <u>39,121,523</u>    |                                  |
| Fund Balance, End of Year  | <u>\$ 22,692,058</u> | <u>\$ 28,149,654</u> | <u>\$ 40,571,124</u> |                                  |



**Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Mayor and Member of the City Council  
City of Meridian, Idaho  
Meridian, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Meridian, Idaho (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
February 24, 2016